

**REPORTING ON CORPORATE SOCIAL  
RESPONSIBILITY PERFORMANCE:  
RESULTS OF A SURVEY OF  
CANADIAN COMPANIES**

*Prepared by:  
David Greenall and Ron Yachnin  
Canadian Centre for Business in the Community  
The Conference Board of Canada*

*Prepared for:  
Industry Canada*

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## EXECUTIVE SUMMARY

Corporate social responsibility performance reporting represents a domain that holds much opportunity for Industry Canada. As Canada's lead federal department with responsibility for industrial development, Industry Canada is well positioned to help companies develop in this area and thereby further economic, social and environmental objectives.

Corporate social responsibility (CSR) reporting has emerged onto the Canadian business landscape in recent years. A survey of 25 Canadian companies was undertaken with the assistance of Industry Canada to identify trends and patterns in how industry is reporting on CSR initiatives and performance. The results are intended to assist Industry Canada to meet its 2000-2003 sustainable development strategy commitments and assist it to gain more knowledge about this rapidly evolving field.

The key findings of this study are:

- Companies are reporting to management, government and other stakeholders on a range of CSR issues in order to effectively manage their operations and social risks and to generate business value. Both traditional print and Web-based reporting formats are being used. Companies are reporting via the Internet to take advantage of 'real-time' and interactive reporting.
- Most companies have experience with environmental reporting to management, government and stakeholders. Development of environmental performance indicators has received the most attention. Social and ethical reporting has had less up-take, and approaches to reporting vary between companies with regard to issues examined and scope and detail of information coverage.
- Companies find it challenging to collect and measure CSR information from multiple corporate groups, and to package information in reporting formats that meet the needs of multiple audiences. Companies highlight the importance of making the 'business case' for CSR and CSR reporting, and gaining senior level 'buy-in' to foster organizational commitment of time, finances and human resources to the reporting function.
- Leading companies are addressing challenges by investing in information, measurement and management systems to support timely, credible, accurate, clear, consistent and meaningful reporting of CSR performance. Advanced companies are using credible and meaningful metrics (indicators) to demonstrate current performance against targets, and are using these metrics as a baseline to assess future performance.

- Canadian companies have been slower to develop stakeholder CSR reports than European counterparts. The European public sector has played an active role in promoting the 'business case' for CSR and in fostering corporate CSR reporting initiatives.
- Canadian companies are participating in leadership initiatives to develop credible and accepted CSR reporting guidelines, frameworks and indicators. Examples include the Global Reporting Initiative '*Sustainability Reporting Framework*' and The Conference Board of Canada's '*Corporate Social Responsibility Benchmark Framework*.'
- Industry Canada has the opportunity to promote the integration of sustainable development considerations into company decision-making and to simulate industry innovation and competitiveness by contributing to the development of effective CSR reporting practices.

## 1.0 INTRODUCTION

*“Leading corporations are broadening their view of social responsibility and voluntarily producing publicly accessible reports on their social performance”<sup>1</sup>. – Mary Choquette and George M. Khoury, 2000.*

This report reviews the ‘state of play’ in Canada with respect to corporate reporting on corporate social responsibility. The report is based on telephone interviews with 25 companies operating in Canada. The work has been made possible through the financial support of Industry Canada.

This report is positioned within a rapidly evolving field of CSR performance measurement and reporting. The number of reporting companies and the quality of information they publicly disclose has dramatically increased over the past couple of years. Reporting up-take is due to a number of motivations including changing stakeholder expectations regarding transparency and accountability and the industry’s recognition of the business benefits of positive CSR performance. At the same time many companies are still struggling with the ideas of what ‘good corporate citizenship’ means, how social and environmental performance impacts the financial bottom-line, and how CSR reporting fits in.

The report addresses a number of key dimensions of CSR reporting as they relate to Canadian practice. These include:

- Practices and examples;
- Motivating factors;
- Benefits;
- Challenges;
- Success factors;
- Future plans.

The report also examines the broader context for CSR reporting, through discussion of: Canadian reporting in a global context as well as alternative perspectives on CSR reporting. Options for enhanced Canadian CSR reporting are also examined.

Examples of surveyed Canadian stakeholder reports (issues companies are reporting on, how companies are reporting i.e. metrics) are included in Appendix C as references for this paper’s discussion.

This assessment is geared toward assisting Industry Canada to:

- Address its 2000-2003 Sustainable Development Strategy (SDS) commitments;

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<sup>1</sup> Choquette, Mary and George M. Khoury. 2000. *Social Auditing: Breaking New Ground in Corporate Social Responsibility and Accountability*. Findings from an Executive Study Tour in the United Kingdom. The Conference Board of Canada. Detailed Findings 288-00.

- Develop and implement sustainable development policy and programming related to industry SD performance measurement, management and reporting;
- Work with industry to promote effective frameworks for sustainable development management and reporting practice;
- Foster trade and competitiveness advantages for Canadian companies;
- Stimulate and support private sector innovation.

Given the federal government's orientation to sustainable development (SD) it is important to outline the relation between SD and corporate social responsibility. As defined by *The Conference Board of Canada*, CSR can help an organization to achieve a balance between economic, environmental and social imperatives, address stakeholder expectations and demands and sustain shareholder value. As such, CSR incorporates the three pillars of sustainability (social, economic and environment) while placing an emphasis on the active engagement of stakeholders.

## 2.0 CSR & PERFORMANCE REPORTING

CSR reporting is a mechanism to convey both details of an organization's CSR performance, both internally and externally. Reporting helps companies to manage the economic, social and environmental aspects of their operations by making information available about performance against objectives and targets. Reporting helps companies to capture and manage the issues that they are involved with while also meeting external stakeholder expectations regarding transparency and accountability.

Companies are reporting on CSR performance to help them effectively manage their operations. Subscribing to the adage of 'managing what you measure,' business is identifying areas of strength and weakness and sharing information internally to maintain compliance with regulatory standards (i.e. environmental) as well as to generate significant bottom-line business value through cost savings, risk mitigation and knowledge-sharing.

Stakeholder reporting on corporate social responsibility performance is increasingly considered to be an important approach to social risk management and business value generation. Companies are issuing corporate social responsibility reports under various titles to stakeholders: **Environmental, Social/Ethical, Sustainable Development, Community** and **Triple Bottom Line** reports. Some reports focus on particular aspects of corporate social responsibility (i.e. environment, community investment) while others attempt to integrate social, economic and environmental areas of performance. There is often considerable overlap with respect to issues covered in reports of different titles by different companies. This is a reflection of variations in perspectives on what 'environment,' 'social,' and 'economic' mean. Many companies are issuing environmental reports that include social criteria. Differences in approach are also

likely attributable to industry's need to develop company-specific approaches to reporting as well as to the differing information requirements of a variety of stakeholder audiences (government, community, NGO, shareholders, employees).

### 3.0 STUDY APPROACH

A survey of twenty-five Canadian companies was conducted to identify their CSR reporting practices. Sampled companies were selected from a range of industrial sectors and represent mostly large domestic and multinational enterprises. Companies considered to be reporting leaders as well as less advanced companies were included in the sample.

#### Research Process

- Selection of 25 large Canadian companies.
- Telephone interviews with senior representatives from public affairs, environment, and community relations.
- Collection and evaluation of external stakeholder reports (i.e. reports, Web-sites).

An important caveat is that small and medium enterprises (SMEs) were excluded from this study. The majority of small-medium companies in Canada are not reporting on CSR performance for management purposes or to external stakeholders. There are not enough examples SME CSR reporting to warrant their inclusion in this report. As such this report is limited to examining the

#### METHODOLOGICAL CHALLENGE - WHAT IS A CSR REPORT?

Research for this report approached the issue of CSR reporting by asking companies what issues they considered to belong to CSR and then asking what types of reports they produce on these issues. This approach ensured that CSR reporting was defined from a company's perspective (i.e. what CSR meant to them and what they do to report on it) and that research results were inclusive of all examples of CSR reporting.

CSR reporting status of large Canadian companies.

### 4.0 CSR REPORTING PRACTICES

This section outlines the key findings of the research study. Overall the research indicates that many companies are gradually changing their reporting structures to meet the demands of a shifting and increasingly competitive operating environment. Key findings are supplemented by examples of corporate reporting. Specific companies are highlighted wherever possible.

Canadian companies are reporting on a wide-range of CSR issues, as identified in the Text Box, below.

Interviewed companies were quick to make a distinction between CSR issues that are reported on internally for

#### What are Canadian Companies Reporting On?

- Environment
- Health & Safety
- Human Resources
- Community Investment
- Governance

management purposes, and issues that are reported on to stakeholders. Approaches to information disclosure vary between companies- some report on the same issues to management as well as to stakeholders, although to differing degrees of specificity (i.e. employees receive very detailed information for management purposes while community stakeholders may receive general “top-line” information to address their interests). Other companies release information on different issues to different stakeholder audiences, as information that may have meaning for one audience may not be relevant to another.

**Management Reporting** → Reporting of information to employees and management for decision-making purposes  
**Stakeholder Reporting** → Reporting of information to stakeholders such as shareholders, government, customers, community, employees and suppliers.

Surveyed companies also make the distinction between reporting internally to employees for management purposes, and reporting externally on employee ‘stakeholder’ issues.

Every surveyed company is making information available to stakeholders on at least one CSR issue. Companies typically report on individual issues of immediate concern to stakeholders, such as environment or community investment. Environmental

**Different Audiences = Different CSR Reports**

One interviewed company posts general community investment information on its external Web-site while reporting detailed information about environmental performance to employees and government. The company is evaluating its current approach and deciding whether to make more information available to stakeholders.

reporting is the mainstream practice with most companies having had experience reporting both to management and to stakeholders about environmental performance over the course of the past decade. Information about ‘community’ initiatives has not been made available as quickly, although many interviewed companies are making this information available now either through individual reports or via their corporate Web-site.

Companies with a track record issuing environmental reports are the furthest ahead with regard to moving towards social and/or integrated reporting. Companies such as Van City, BC Hydro, and Suncor have issued integrated reports that report against the ‘Triple Bottom Line.’ For other companies movement towards integrated reporting is a gradual process with companies “*feeling their way*” and determining how best to proceed with development and implementation.

*“Today, in keeping with the expectations of our stakeholders and the public, we publish a sustainable development report that extends the reporting to social and economic performance. As a company that believes in transparency and the sharing of information, we will continue to evolve our reporting to*



*reflect the world's growing understanding of sustainable development and corporate responsibility."*  
Noranda 1999 Sustainable Development Report

## 4.1 Report Formats

Interviewed companies highlight the need to produce reports in formats that meet the needs and expectations of 3 main audiences: employees and management, government stakeholders and other stakeholders.

- 1) *Employees and Management*: informal reporting, company-specific reporting formats
- 2) *Government*: reporting formats as prescribed by legislation/regulation
- 3) *Other Stakeholders*: formal reports, designed to meet stakeholder needs and expectations

Of these three main reporting audiences the most attention and investment has gone into developing reporting formats for stakeholders. Most company sources we talked to have experience producing traditional print publications such as annual reports, brochures and news releases. The majority of companies surveyed produce hard-copy environmental reports. Some companies spoke of the importance of speeches by senior executives as a means of 'getting the message out' about what the company is doing and its approach to social responsibility.

Technological advance has revolutionized the way in which companies can interact, engage and dialogue with shareholders, customers, communities and other interested stakeholders. More and more companies are using, or making plans to use the Internet as an information-disclosure and stakeholder-interaction mechanism. The "*real-time, current performance*" opportunities available through on-line reporting allow companies to provide meaningful information that addresses stakeholder expectations and needs.

Interaction with stakeholders through on-line feedback and discussion is also an important feature of Web-based reporting. Some companies also publicise and make these reports available to employees via internal e-mail and/or corporate Intranets. Advanced companies are making copies of hard copy reports available on their corporate Web-sites, either in downloadable PDF format or as on-line HTML Web pages.

### Benefits of 'Web-based' Reporting:

- Cheap & accessible---anyone can get to it
- Good way to package complex data without drowning the general reader in pages of boring statistics
- Address the needs and interests of widely different audiences
- Allows for easy, frequent updates
- Creates opportunities for on-line feedback from stakeholders
- Can include links to other sites---including those of critics, competitors, customers, independent auditors

Source: James Wilsdon. 2001. *Dot-com ethics: e-business & sustainability*. Forum for the Future.

## 4.2 Multiple Audiences

Different audiences require information of varying scope and detail. Surveyed companies are attempting to balance management and stakeholder information needs and deciding on appropriate levels of information disclosure. There are significant differences among surveyed company approaches to stakeholder reporting as companies struggle to balance stakeholder demands for transparency and accountability with the risks of information disclosure.

As identified, surveyed companies are reporting on a range of CSR issues to both management and stakeholder audiences. Information disclosed with respect to these issues is however not uniform. In general:

- *Management reports*- provide detailed, specific information that can be used to manage issues
- *Government reports*- provide detailed information to meet legislative/regulatory requirements
- *Stakeholder reports*- provide less-detailed, "top-line" information that is meaningful to stakeholders

Interviewed companies highlight the need to report information that "can be used" and understood by target audiences.

Management reports typically focus on providing management with hard, quantitative information that can be used to assess, evaluate and aid decision-making. Information required by this audience is very specific and requires a high-level of detail. Stakeholder reports on the other hand address a variety of audiences and a range of information interests and requirements. Stakeholder reporting has typically been oriented towards providing 'soft' descriptive and qualitative information, although these reports are increasingly being balanced with hard quantitative information.

*"Reports need to talk to issues that are close to the reader."*

Environmental reporting is by far the most sophisticated and developed. A number of interviewed companies attributed the advanced focus on environmental reporting to several contributing factors:

- Regulatory requirements to measure environmental impact (i.e. emissions, effluents, waste)

- Nature of their operations and the need to convey to government and other stakeholders their environmental outputs and impact
- Relative ease of capturing and reporting quantitative environmental information (i.e. # of tonnes of emissions, # of environmental infractions)

*Falconbridge is gathering data, measuring, and reporting performance against targets for energy use. Energy use represents a significant cost-activity for this resource company. Performance targets are in place to reduce energy-intensity and cost of energy-use. Performance against these targets is communicated internally and changes are made wherever necessary to ensure that future targets are achieved*

Environmental information disclosure typically follows the pattern identified above: detailed information is reported to management to support management effectiveness, detailed compliance-oriented information is provided to government, and more general, 'top-line' information is conveyed to stakeholders to provide a picture of what the company is doing.

Reporting on social/ethical information is not as advanced as environmental reporting. Many companies commented on the difficulty of effectively conveying meaningful information, both to management and to stakeholders on perceived 'soft' qualitative issues. Quantitative performance information on donations and community investment is often collected and reported on to management. Reporting of this information to stakeholders varies between companies---information disclosure is typically limited to reporting on social initiatives and giving qualitative descriptions of outcomes and impacts. Contrasting this limited reporting approach are leadership companies like Van City and the Body Shop which have implemented rigorous social management, accounting, auditing and reporting systems. These companies are reporting both to management and stakeholders on a range of CSR issues relating to the community, employees, suppliers and customers.

### 4.3 Stakeholder Reporting

Surveyed companies consistently discussed the need to make reported information meaningful to the reader. Examples of corporate stakeholder performance reporting are included in the Appendix. Companies are making information available about social, economic and environmental practices and performance through disclosure of:

- **Principles** and values guiding their approach to corporate citizenship
- **Policies** for environmental stewardship, sustainable development, community investment and corporate governance
- **Practices** such as management systems, community initiatives, internal frameworks and committees
- **Performance information** such as objectives, targets, indicators and future goals

**The Van City Social Report 1998/99  
Key Performance Indicators on Community**

- 4.8% of pre-tax earning donated to the community (1997: 4.7%)
- Distribution of grants: social justice (35%), economic self-reliance (22%), ecological responsibility (41%), other (2%)

**Clarica's Principles of Corporate  
Citizenship**

*"Our corporate values of stewardship, partnership and innovation and our brand promise, "clarity through dialogue," guide our donation decisions."*  
Clarica, Brochure on Corporate Citizenship

Surveyed companies highlighted the importance of *relative* versus *absolute* measures. Many stakeholder reports contain information that, while interesting is of little interpretative and analytical value. Companies are working on developing metrics that are meaningful to stakeholders, and that provide management with credible information to effectively improve performance.

<p><i>Absolute:</i> CO2 emissions were reduced by 10,000 tonnes in 1999</p> <p><i>Relative:</i> CO2 emissions were reduced by 345 tonnes per employee per m<sup>2</sup></p>
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Performance information has tended to focus on the positive (“what we have achieved”) as opposed to the negative (“where we failed to meet expectations”). This is an area of development for most companies given stakeholder demands for openness and transparency. A few advanced companies have embraced the concept of transparency and offer balanced reports on performance with both positive and negative information. Some of these companies also integrate both positive and negative stakeholder commentary into their reports and indicate actions that are being taken to remedy problems.

<p><i>“Some companies are pro-active and progressive in compiling and publishing annual environmental performance reports. An example of this is the <b>Falconbridge Sustainable Development Report, 1999</b>. ...A striking feature of the report is the documentation of non-compliance with regulatory requirements and any charges or fines levied. This type of comprehensive and factual reporting, lends credibility to corporations.”</i></p> <p>Patrick G. Finlay, Chief, Minerals and Metals Division, Environment Canada in a speech called ‘Globalization of Environmental Performance Standards’ given in November 2000.</p>
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Surveyed companies are not that advanced when it comes to CSR auditing, verification and reporting of audit results to stakeholders. The majority of auditing activity occurs as part of environmental management practices as auditing is required for ISO 14001 certification. Publication of verifier statements and attestations is relatively frequent among environmental reporters. Social information is typically not audited and reported on, with the exception of companies that have implemented full social auditing and reporting systems.

*“BC Hydro is committed to reporting our performance from a triple bottom line perspective. We know that integrating social, environmental, and financial bottom lines is fundamental to making sound, sustainable business decisions.”* Michael Costello, President and CEO, BC Hydro triple bottom line report 2000.

The trend is movement towards more comprehensive auditing and verification practices across the 3 areas of the 'Triple Bottom Line.'

#### 4.4 Supporting Infrastructure

Reporting is not a stand-alone activity. Leadership companies recognize this and are investing in systems to support the reporting function. They are developing information systems to gather, package and report on CSR performance. They are also attempting to standardize information across corporate groups and are developing horizontal co-ordinating committees to ensure consistency of information. For these companies reporting represents a value-creation activity and therefore requires effective support systems.

**Sears Canada:** *Has an environmental database that provides environmental information for each unit. Each facility conducts an environmental self-audit twice a year. Each unit's EH&S team reviews the audit to identify opportunities to assist in waste reduction.*

For the majority of interviewed companies, however reporting is still very much an activity that needs development and support. Information gathering is the responsibility of individual corporate groups. There are very few examples of companies with one position/committee responsible for co-ordinating reporting.

#### 4.5 Drivers

Surveyed companies identified a number of motivations for engaging in CSR reporting. These include:

##### Corporate philosophy of transparency and accountability

Stakeholders are demanding increased access to information about corporate practices and are seeking greater involvement in corporate decision-making processes:

##### **Evolution of Societal Approaches to Corporate Behaviour**

Trust Me → Tell Me → Show Me → Involve Me

Developments such as the democratisation of information through technology and the associated rise of civil society and non-governmental organizations (NGOs) are influencing corporations to address stakeholder 'show me' and 'involve me' concerns. Corporate information is now available to any one who is interested via the Internet and other telecommunication mediums. Displacement of information barriers coupled with a highly-efficient means of mass organization has given

Meeting stakeholder demands for transparency and accountability is manifest in two ways:

1. Ability and willingness of the company to understand, manage, measure and verify its positive and negative social, economic and environmental impacts everywhere it operates
2. Ability and willingness of the company to publicly report on these impacts to a growing variety and number of stakeholders, ranging from shareholders to local

NGOs the ability to mount effective counter-corporate strategies such as consumer boycotts, class action lawsuits and pressure for restrictive regulations.

*"We have re-evaluated the way we report our corporate performance to the public in response to increasing attention and interest from stakeholders and environmental and community groups, and in keeping with new reporting formats and practices evolving within companies." BC Hydro triple bottom line report 2000*

### A Key Requirement

For some interviewed companies reporting was not considered an optional activity. Rather, reporting was seen as critical to maintaining strong relations with communities, employees and other stakeholders.

*'We felt that it was equally important for employees as well as external stakeholders to be aware of our CSR initiatives.'*

### Reporting as a means to demonstrate that issues are being managed

Reporting allows companies to demonstrate to stakeholders that social and environmental issues are being actively managed and are not just secondary considerations to financial issues. At the same time, companies highlighted the importance of continued reporting. Failure to consistently report on performance can stimulate stakeholder concerns that issues are no longer under management or control, and that negative performance must be occurring.

**IBM Canada:** Annual 'Environment and Well Being Progress Report' and 'Charitable Contributions Report.' Both reports contain descriptions of initiatives, and provide quantitative figures for select indicators to demonstrate performance. A historical performance trend-line is given for environmental data wherever possible.

### Corporate 'self-discipline' and management effectiveness

Issues and operations change continuously over time. Reporting provides a 'reality check' for companies. It allows them to evaluate where they are at, how they have done over a defined period (usually annually) and to make changes where necessary.

## **4.6 Benefits**

*"If you are doing good work you need to tell people."*

Interviewed companies had a range of perspectives on the benefits derived from corporate social responsibility reporting. Surveyed companies discussed the effect that reporting has on corporate management:

#### CSR as a 'top-of-mind' issue

Reporting to management as well as to stakeholders "opens the eyes" of senior management to the possibilities offered by incorporating CSR into business practice. Getting this 'top-of-mind' awareness is considered to be critical to moving a company forward along a CSR and sustainable development path.

Beyond this management reporting benefit, surveyed companies identified numerous benefits of stakeholder reporting. These include:

#### Reputation protection and enhancement

Getting information out in the public domain is considered important to the maintenance and promotion of corporate reputation. International examples such as Nike, Royal Dutch Shell and Talisman Energy demonstrate the significant reputation impact that anti-corporate campaigns can have on reputation and brand image.

#### Access to markets and 'licence to operate'

Many of the surveyed companies indicated the importance of having established track records of positive performance in order to gain entry to new or existing markets. Reporting and making information available about current or past approaches to environmental protection, community investment, human rights and stakeholder engagement can give companies with positive track records a competitive advantage over companies without comparable records. As one resource-based company explained, *"our operations are highly intrusive and impact on local communities. We were specifically targeted by a [host] country to develop a mine due to our previous experience in Canada working with indigenous people."*

#### Customer loyalty

As societal expectations regarding CSR performance rise many companies are looking to strengthen relations with customers through disclosure of information about environmental impacts, labour and sourcing practices and overall approaches to corporate citizenship. Service and consumer companies such as the Body Shop Canada and Van City recognize the business value in positioning themselves as responsible corporate citizens and the customer loyalty that this competitive positioning brings.

*"We believe that our leadership in outstanding service and our commitment to corporate transparency and accountability set us apart from other financial institutions and contribute to our continued success as an organization"*  
Van City 1998/99 Social Report

### Employee attraction & retention

Numerous interviewed companies mentioned their enhanced ability to recruit quality employees by demonstrating through reporting that they are ethical and responsible places of work. In the current hyper-competitive labour market where companies compete for the 'best and brightest' a positive image of social responsibility is often a primary consideration for prospective employees.

### Risk avoidance

Reporting is an effective means of opening lines of dialogue with key stakeholders. Strong relations with stakeholders can provide companies with effective 'early warning' about emerging issues that may potentially pose significant risk exposure. Numerous companies spoke of the risk management advantages of reporting and of the utility of information gathered through stakeholder feedback and input to their risk management practice.

### Stakeholder understanding of what the company is doing

Surveyed companies identified the importance of conveying clear information to stakeholders about their practices in order to ensure that "*everyone is on the same page and understands what we are doing.*" This point was most commonly made with regard to community investment practices and stakeholder funding opportunities. Clear understanding on the part of stakeholders of the initiatives that the company does and does not participate in helps stakeholders to appropriately target funding proposals, and minimizes the time and resources that are devoted to dealing with misdirected requests.

## **4.7 Challenges**

Reporting on CSR performance is challenging for even the most advanced reporting leaders. A key finding of the research is that challenges identified by surveyed companies are applicable to both management and stakeholder reporting. Interviewed companies are struggling with the following challenges:

### Developing adequate information systems to provide consistency and relevance of information

Many companies mentioned the difficulty that fragmentation and lack of standardization between company groups poses to the identification, collection, analysis and evaluation of CSR information. As one company representative stated, there are "*so many faces across the company.*" Issues, reporting formats and performance measurements are different from one group to the next making it difficult to develop and report on a comprehensive picture of company-wide CSR performance.

### How to report in a credible and meaningful way?



Management requires performance information that is rigorous, can be substantiated and will contribute to effective decision-making. Government requires information that is detailed, meets specific measurement parameters and is verifiable. Stakeholders require information that provides them with a comprehensive picture of corporate CSR performance while giving them insight into how well a company is doing against objectives and targets. A significant number of surveyed companies identified the challenge of building robust data collection, information management and performance evaluation systems in order to generate credible information for management and stakeholder reports.

#### Getting appropriate human resources to co-ordinate the reporting function effectively

Reporting adds an added level of communication that requires additional time investments on the part of employees. A large number of surveyed companies have allocated responsibility for the co-ordination of CSR reporting to existing positions/individuals. Added onto existing responsibilities, reporting can easily become a secondary priority without adequate human resource support. Several companies have begun to address this challenge by developing CSR committees that are charged with developing horizontal information systems and co-ordinating the gathering, analysis and dissemination of performance information.

#### Multiple Audiences

Everyone wants different information. Information that is of meaning to management may have little meaning to stakeholders, and vice versa. Developing CSR information management systems requires significant financial, time and human resources investments- but how to get information that can be of value to all interested audiences? Several companies mentioned that they are approaching this challenge by focusing on the collection of meaningful information- information that has 'analytical value.' Rather than measuring and reporting on every CSR issue possible, these companies are focusing on information that you can "*do something with- take action.*"

#### Getting the right information in expanded and global organizations

Many companies are going through a process of re-organization, merger and expansion. As these companies 'go global' they are encountering difficulties in the form of co-ordinating reporting among subsidiary/partner companies with different information formats, different information needs and different performance standards. Entry into new markets also brings additional challenges in the form of new stakeholders and societal expectations regarding responsible corporate conduct.

## **4.8 Success Factors**

Facilitating CSR reporting are a number of key success factors. Several of these success factors build upon and address challenges to effective CSR reporting. As identified by surveyed Canadian companies, these success factors include:

Having a champion to drive the reporting process

Advanced companies spoke of the importance of having a position and/or co-ordinating group that regards CSR reporting as a value-added and important activity, as opposed to an add-on to existing responsibilities. Having a champion can assist in driving and justifying investments in information systems, human resource allocation and the integration of CSR reporting results into decision-making. *“There needs to be the right people at the table to move the reporting process forward.”*

High internal awareness of the ‘business case’ for CSR and CSR reporting

A number of companies focused on the importance of making the ‘business case’ for CSR and generating employee and management ‘buy-in’ and commitment to investments in effective CSR reporting frameworks and systems. Gaining internal awareness and acceptance of the value of CSR can help to support the case for CSR reporting as a core reporting activity, as opposed to an activity that is peripheral to financial reporting.

*“Don’t just report for the sake of reporting---take action”*

*“We have been performing some elements of CSR for many years but we never had to justify its implication on the ‘bottom-line.’ This will be our challenge over the next few years and we are seeking ideas on how to go about this.”*

Making the business case for CSR reporting is especially challenging given the up-front financial costs of developing CSR management systems, evaluating performance and engaging stakeholders. The Conference Board of Canada has conducted research on the cost of developing a social audit report for several European companies and has produced the following estimates:

ELEMENTS INCLUDED IN COST							
Company	Number of employees worldwide	Estimated cost of report*	Surveys	Process consultant	Internal staff (salaries)	External verifier	Publication & Distribution
BP Amoco	80,000+	£500,000	✓	✓	✗	✓	✓
CWS	35,000+	£70,000	✓	✓	✓	✗	✗
The Body Shop	10,000+	£100,000	✓	✓	✗	✓	✓
The Co-Operative Bank	4,000+	£300,000	✗	✓	✗	✓	✓
United	10,000+	£65,000	✗	✓	✗	✓	✓

Utilities						
<p>* This refers to the estimated cost of the social audit report (i.e., stakeholder consultation, consultants, verification, internal staff salaries, publication and distribution of a report. It does not refer to the entire investment the organization has made in terms of its sustainable development, social, ethical or environmental management systems and activities. Source: The Conference Board of Canada</p>						

Having dedicated human resources to co-ordinate and organize the reporting process

As discussed above, reporting adds an additional level of communication and activity onto the daily activities of employees and management. Surveyed companies that work on making the ‘business case’ for CSR reporting have linked having strong management support with an enhanced ability to “get the right people to do the job.”

Timeliness of information

Information needs to be current to meet both management and stakeholder needs. Interviewed company representatives identified the importance of having up-to-date information to assist management decision-making. They also mentioned the importance of conveying information to stakeholders about what they are currently doing, as opposed to where they were at a few years/months ago. Corporate movement towards the use of Web-based, real-time reporting is an example of how companies are operationalizing to address these stakeholder needs.

Regular reporting

“ You can’t stop reporting. Non-reporting implies issues are no longer being managed.” This perspective from a company representative focuses on stakeholder expectations about regularity of information disclosure. Once a company sets a precedent by producing a CSR report and make information available to stakeholders, there is an expectation that reporting will continue (“maintaining a clear record of performance”). Stakeholders can become suspicious if reporting ceases or becomes less frequent, and non-reporting can be regarded as an attempt to hide poor CSR performance.

<p>“At Suncor, our policy commitment is to report publicly every two years on our progress toward sustainable development. This report is intended to:</p> <ul style="list-style-type: none"> <li>• demonstrate our performance in implementing our environment, health and safety policies</li> <li>• promote an understanding of our vision of sustainable development</li> <li>• contribute to our ongoing dialogue with all stakeholders”</li> </ul>
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Strong internal management frameworks and good information systems

Interviewed companies stressed the importance of supporting the reporting process with effective internal data collection, information sharing, measurement and management systems. Surveyed companies consider these systems as being critical to achieving:

- *Accurate data*- must reflect what the company has actually done, both positive and negative
- *Clear data*- must be unambiguous and well-understood
- *Consistent data*- using standard units and measures ensures comparability
- *Meaningful data*- must be able to “do something with the information” i.e. absolute versus relative measures of performance

#### Stakeholder dialogue and involvement in the definition and development of performance measures

A number of leader companies discussed the value of engaging stakeholders in the identification of reporting indicators. Stakeholder dialogue helps to ensure credibility of measures (i.e. they meet stakeholder interests and expectations). Integrating stakeholder input can also help to broaden the focus of stakeholder measurement and reporting beyond what an organization might normally target.

#### Continuous improvement

Leadership companies spoke of the need to build ‘learning organizations’ through the continual integration of reporting results and stakeholder feedback. Measurement and reporting helps to ensure management accountability and drives improvement in areas of weak performance.

## **4.9 Recognition**

Surveyed companies have not received much external recognition for their CSR reporting practices. Many companies mentioned however that they are receiving recognition for their positive CSR practices and performance, and that they attribute this recognition to the effectiveness of their reporting and communication practices.

Examples of awards and external recognition programs that surveyed Canadian companies have received or are listed on include:

- \* *United Nations Environmental Sustainability Project*
- \* *Voluntary Challenge Registry*
- \* *IABC Award of Merit (Environmental reporting)*
- \* *Michael Jantzi Social Index (top social and environmental performing companies)*
- \* *Dow Jones Sustainability Index (top social and environmental performing companies)*

## **4.10 Future Plans**

*“You can’t turn the Queen Mary around in a back alley overnight”*

This quote captures the essence of how surveyed Canadian companies are approaching the issue of CSR reporting in the future. CSR reporting represents a significant change and departure from traditional financial management and reporting practices. Surveyed companies have a range of ideas about where they are going with CSR reporting, and what they will be doing to get there:

- ✓ *Sticking with what works;*
- ✓ *Still discussing what to do;*
- ✓ *Designing the reporting process as they are going along;*
- ✓ *Deciding whether or not to make information available;*
- ✓ *Bringing together the three areas of CSR (social, environmental and economic);*
- ✓ *Broadening and co-ordinate information exposure;*
- ✓ *Determining how to incorporate global activity and to report accurately (for expanding companies);*
- ✓ *Implementing external auditing and determining how to avoid 'conflicts of interest';*
- ✓ *Providing up-to-date, day-to-day reporting on their Web-site;*
- ✓ *Developing credible and meaningful performance indicators;*
- ✓ *Determining ways to measure implications of CSR performance on the 'bottom line;'*
- ✓ *Investing in information and management infrastructures to support CSR reporting;*
- ✓ *Selling the business case for CSR reporting to senior management.*

While some companies are satisfied with current CSR reporting practices others are looking to make significant investments in management systems to support the timely ('real-time') provision of credible and meaningful performance information. Many of the identified plans for the future directly reflect the factors that are considered critical to achieving CSR reporting success.

## 5.0 CANADIAN CSR REPORTING IN CONTEXT

The approach of Canadian companies, governments and other stakeholders toward issues of responsible stewardship has evolved differently from the approach of other parts of the world, and particularly Europe. In Canada at this time, there is great opportunity for industry, governments and the voluntary sector to use CSR reporting, and the initiatives that underlie it, to further societal objectives and improve industrial and economic performance.

European-headquartered companies have established a leadership role with regard to producing stakeholder CSR reports, conveying credible and meaningful information and participating in the development of

### CSR Reporting in Europe

- 50% of FTSE-100 companies publish formal environmental reports. This figure is expected to rise to at least 70% by the end of 2001
- Companies publishing specific reports on social policies rose from 3 in 1996 to 28 in 1999

internationally recognized reporting standards. As identified in the preceding section Canadian companies have been slower to adopt these leadership practices but increasingly are producing top-line stakeholder reports. Canadian companies are also making substantial financial investments in management frameworks and systems to support the reporting function. This section provides a brief overview of European approaches as a means to position the efforts of Canadian companies in the CSR reporting 'big picture.' This section also outlines Canadian corporate efforts to participate in domestic and international initiatives intended to define credible and accepted CSR reporting frameworks.

Discussion of U.S. reporting practices has been omitted for a number of reasons:

- *Lack of credible research on and data about the CSR reporting practices of U.S. based companies.* There is little evidence available to support credible comparisons with the results of surveyed Canadian companies.
- *Close relationship between Canadian operations and U.S. parent companies.* Surveyed Canadian companies with U.S.-based parents discussed how they typically align their reporting practices with those of corporate headquarters. Canadian company approaches to reporting often parallels (with some operation-specific tailoring) that of their parent company.
- *Similarity of social influences on Canadian and U.S. reporting practices.* As discussed earlier, North American societal perspectives on and attitudes towards the social responsibility of business are quite similar. The evolution of approaches to CSR reporting in Europe has followed a different path as a result of different social norms and values regarding environmental stewardship and the role of business in society.

## 5.1 European Efforts

A range of CSR reporting frameworks, benchmarking guidelines and process methodologies have been developed within European countries to inform and influence the production of stakeholder CSR reports. Corporate up-take of public CSR reporting has been substantial: a recent poll conducted by the *Industrial Society* identified one (1) in four (4) companies (24%) in the UK is now using broader measures of performance to publicly account for their impact on society and the environment.<sup>2</sup> Companies are not only reporting; they

### Key European CSR Reporting Leadership Initiatives

- AccountAbility 1000 Standard
- The Copenhagen Charter
- The SIGMA Project-Sustainability: Integrated Guidelines for Management
- London Benchmarking Group Model

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<sup>2</sup> Industrial Society. Press release, 24 August 2000

are using credible measures and tangible evidence to back up statements of performance.

The public sector has also been a strong supporter of corporate social responsibility and of information disclosure regarding CSR practices and performance. Both the UK and Denmark have created a Minister responsible for CSR and, as a result have increased the legitimacy of CSR within their countries. In the UK, Prime Minister Blair has issued a challenge to all of the top 350 companies in the UK to publish annual environment reports by the end of 2001.

*“The private sector is seeking a common basis for reporting on social, ethical and environmental aspects of their investment policies and on the conduct of their businesses, present and future. We are encouraging greater consensus on appropriate indicators for measuring business performance, by discussing with companies and stakeholders how best to report with accuracy and openness the huge range of CSR involvement.”* – UK Department of Trade and Industry, March 2001<sup>3</sup>

In the UK, a new mandatory Operating and Financial Review (OFR) is being proposed for inclusion in the company Annual Report. The OFR would include:

- A review of the company’s business
- The company’s purpose and values, strategy and drivers of performance
- An account of the company’s key relationships
- The company’s approach to corporate governance- values and structures
- A picture of the company’s intellectual capital- how it applies and develops it
- The company’s principles, policy and performance on social and environmental issues and on those affecting the community in general

The first two items would be mandatory for all companies required to produce an OFR. The remaining items would have to be included where the directors concluded that they were material to the business. Source: Business-Impact 2000.

## 5.2 Canadian Efforts

Canadian companies are participating in the creation of international guidelines and reporting frameworks. One example is the U.S.-based *Global Reporting Initiative* (GRI) which is an attempt to define internationally recognized standards for sustainability reporting. The GRI Sustainability Reporting Framework represents an ambitious attempt to bring together the three pillars of sustainability (economic, social and environmental) within an integrated report. Currently being piloted by 21 multi-national companies, the GRI framework has been referenced in the CSR reports of several Canadian companies (Van City, BC Hydro, and Suncor).

The Conference Board of Canada is also working with a group of Canadian companies on a three-year project to develop a *Corporate Social Responsibility Benchmark Framework*.

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<sup>3</sup> Department of Trade and Industry. 2001. *Developing Corporate Social Responsibility in the UK*. Government of UK, March.

The framework is a leadership vehicle to help promote measurement of a company's performance in CSR. The framework consists of measures in five areas of CSR: 1) corporate governance and management practices, 2) community involvement, 3) human resource management practices, 4) environment, health and safety and 5) human rights.

Van City uses the AA1000 process standard to guide its approach to social auditing and reporting. Taken together with the three companies referencing the GRI Sustainability Reporting Framework, of the surveyed companies only a few are taking into account international reporting frameworks and guidelines. Surveyed companies discussed the importance of developing company specific approaches to reporting, including the development of performance indicators that are relevant and meaningful. 'Cookie-cutter' and 'checklist' frameworks do not meet the needs of these companies – rather they are looking for sources of guidance from which they can extract elements that are relevant and practical to implement.

## **6.0 PERSPECTIVES ON CSR REPORTING: A 'NOT-SO-ROSY' PICTURE?**

The reporting of meaningful information is, at least in principle an important means of managing environmental, social and economic aspects of operations while also engaging stakeholders and addressing their concerns about transparency and accountability. The preceding sections outlined general CSR reporting trends and motivations as identified by Canadian corporate representatives. While the findings paint an evolving and generally optimistic picture of the Canadian CSR reporting scene, it is important to note that the 'leadership' practices of European CSR reporters have been criticised by independent observers. This section outlines some of these criticisms in order to demonstrate the on-going importance of making sure that 'what companies are saying' reflects 'what companies are doing in practice.'

A 1998 study of the top international CSR reporters by the *United Nations Environment Program* (UNEP) and *SustainAbility* (a UK consultancy) was highly critical of corporate reporting practices:

*"With very few exceptions, the Top 50 reports fail to address what we consider to be the biggest sustainability issues associated with a company's activities..."*

The Global Reporters Report, 2000.

A report published this year (2001) by the New Economics Foundation (UK) calls into question corporate commitments to transparency and accountability, and the role of CSR reporting in addressing these commitments:



*"In considering reporting in ethical issues it is particularly clear that, in selecting what to report, most companies are more concerned with their image than with a genuine desire to be accountable."*<sup>4</sup>

These concerns also bring into question the impact that CSR reporting is having on the actual social, ethical and environmental performance of companies. If reputation management is the driving motivation behind reporting as opposed to enhancing performance, transparency and accountability then it is questionable whether companies are truly committed to achieving the CSR performance they are communicating externally.

**RHETORIC OR REALITY?:**  
*"Compiling and verifying this report makes us measure our progress in a rigorous way. Our aim is to give you the necessary information to form a view."* Royal Dutch Shell, 2000 'People, Planet and Profits' Report

These questions highlight the importance of this report's identification of the management and stakeholder CSR reporting practices of Canadian companies. These questions also focus scrutiny on the rationales that underpin the development of CSR reporting systems (i.e. are they walking the talk with regard to internal development and attribution of importance?). While European companies are ahead of the curve with regard to recognition of stakeholder CSR reporting, there may be significant opportunity for Canadian companies that are conditioned to the business benefits of CSR to derive competitive advantage through meaningful and effective stakeholder engagement and reporting practice.

*"Corporate reporting is but the tip of the iceberg. Its true significance lies in the performance it represents."* Mark Wade, Shell's Sustainability Development Group

## 7.0 FUTURE DIRECTIONS IN CSR REPORTING

The Conference Board of Canada has conducted significant research on corporate social responsibility performance measurement and reporting practices of Canadian and international companies. Our extensive understanding the international CSR landscape has allowed us to identify a number of important trends in CSR reporting. These trends will likely influence how Canadian companies approach the development of CSR reporting infrastructures and the amount/type of performance information that they report on.

### CSR and other intangibles as core business issues

Many large multi-national companies such as Royal Dutch Shell, BP Amoco, ABB and British Telecom consider CSR to be critical to overall business performance. For these companies CSR is not an 'add-on' activity. Rather CSR is considered to be central and is integrated into strategic and operational decision-making. CSR is also being looked at

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<sup>4</sup> Adams, Carol. 1999. *The Nature and Processes of Corporate Reporting on Ethical Issues*, The Chartered Institute of Management Accountants.

in conjunction with other organizational intangibles such as intellectual and social capital. Performance measurement, assessment and decision-making tools such as the Balanced Scorecard and Values-Based Management are evolving to incorporate CSR considerations. International companies such as Skandia are issuing 'Intellectual Capital' reports to demonstrate to stakeholders the importance of investing in employee skills and knowledge development.

#### Importance of CSR reporting to the financial community

There is growing awareness of the need to establish a better understanding among the financial community of the role that CSR can play in creating organizational value. This need is being addressed in part by an increasing amount of work being conducted on 'soft' metrics and the relation/linkage between CSR performance and share price appreciation. The Conference Board is contributing to this work through research into the evidence on the links to shareholder value and through communication between companies and the financial community on this issue.

*"Investment [will] increasingly focus on inclusive criteria. Emphasis will be placed on investing in companies that create more value because they have robust values. A social report...will help to make a powerful case for economic investment."*  
Mark Goyder 1998

Other factors that are helping to advance this effort include growth in investment in funds that are screened on the basis of social and environmental criteria. Several institutional pension funds have also recently begun to pressure companies in which they have holdings to disclose information on CSR performance. These trends are contributing to the development of additional sets of CSR performance indicators that will meet the specialized needs of the financial community.

#### Refinement of performance measurement techniques and indicators, and development of reporting infrastructures

Companies that realize the business value of effective CSR reporting are looking for ways to gather, measure and deliver performance information that is credible, reliable, accurate, timely and meaningful. In order to meet these reporting criteria companies are investing in the development of robust information and management systems to support the reporting function. They are developing company-specific approaches to reporting, while at the same time are collaborating with other stakeholders (business, government, civil society) to develop internationally recognized standards for performance reporting (i.e. Global Reporting Initiative).

- Most large corporations will adopt a social performance metrics strategy/plan by 2005
- 75 to 85 of the largest companies world-wide will issue fully developed social performance metrics in reports by 2002

### Accreditation and certification schemes

Companies that have been involved in the ISO 9000 and ISO 14000 certification process recognize the reputation value of alignment with these voluntary standards.

Some companies (as well as members of the NGO community) are calling for reporting standardization and certification given the wide range of approaches to CSR reporting, and the many differences in reporting formats being employed. 'Kitemarks' can be used to signify that a company has achieved a certain level of performance excellence. Numerous European companies are employing CSR voluntary standards such as the AA1000 as a form of quality assurance. Performance based on this standard is then audited and verified by an external, 3<sup>rd</sup> party. At the same time companies are looking to ensure that a balance is maintained between the benefits of accreditation and the need for flexibility in reporting to meet company-specific needs.

## **8.0 OPPORTUNITIES & NEXT STEPS**

Industry Canada's approach to private sector CSR reporting is guided by its corporate strategic objectives as well as by its Sustainable Development Strategy commitments. Industry Canada has the opportunity to play an important and instrumental role in fostering Canadian approaches to CSR reporting while at the same time meet its objectives to:

- stimulate the integration of sustainable development considerations into private sector decision-making
- promote private-sector innovation and competitiveness

Industry Canada has the opportunity to take a lead role in helping Canadian companies in managing for sustainability and addressing CSR objectives. Among the next steps it can take a leadership role on are:

- Assisting with ongoing research into CSR best practices, benchmarks and performance metric development;
- Working with companies, industry associations and research and networking organizations to share information about best practices and next practices;
- Assisting companies with limited resources, such as small-and-medium sized enterprises (SMEs) to effectively capture and implement some of the key practices that have been developed by leading companies;
- Communicating about CSR and its role in contributing to industrial performance and competitiveness;
- Providing recognition to companies undertaking key stewardship initiatives;

- Communicating across the federal government about the value companies are providing through undertaking CSR practices, both in terms of economic development and in addressing social and environmental policy objectives;
- Promoting understanding of the links between sustainable development and CSR;
- Representing Canadian interests in the international context;
- Supporting investigation into the 'business case' for CSR.

It is anticipated that Industry Canada efforts against any of these next steps will return large dividends in terms of enhanced industrial performance and improved contributions to sustainable development.

## 9.0 CONCLUSION

The trend towards CSR reporting is expected to continue to grow. More and more companies, in Canada and elsewhere are working to more effectively measure and manage their operations against a 'triple bottom line' that considers social, economic and environmental performance. As accountability and values-based practices become crucial to business success, reporting takes on an added level of importance.

The degree to which Canadian companies effectively manage and report on issues of CSR can also impact their competitiveness and potential to trade internationally. This, in turn, has implications for maintaining Canada's position relative to other developed countries in terms of standard of living and quality of life.

The approach of Canadian companies, governments and other stakeholders toward issues of responsible stewardship has evolved differently from the approach of other parts of the world, and particularly Europe. In Canada at this time, there is great opportunity for industry, governments and the voluntary sector to use CSR reporting, and the initiatives that underlie it, to further societal objectives and improve industrial and economic performance.

The Conference Board is committed to advancing CSR and sustainable development in Canada and globally. The Board, and its Canadian Centre for Business in the Community in particular, are leaders in developing insights, sharing knowledge and networking in these areas. Efforts in the coming years will include further work and events in these topic areas with a view to assisting stakeholders, contributing to policy development and advancing the state of practice within the Canadian and international business community.

The opportunities for Industry Canada in this domain are many. As the federal department with the mandate to assist industry and contribute to patterns of economic development, Industry Canada has an important role to play. Canadian companies are looking for leadership, direction and guidance as they struggle with the challenges of meeting stakeholder needs and expectations, developing information and management systems and creating relevant and credible indicators of CSR performance.

## APPENDIX A - LIST OF COMPANIES SURVEYED

Air Canada  
Avon Canada Inc.  
BC Hydro and Power Authority  
BCE Inc.  
BHP Diamonds Inc.  
Bell Canada  
Body Shop Canada  
Bombardier Inc.  
Clarica Life Insurance Company  
Falconbridge Limited  
Ford Motor Company of Canada  
GlaxoSmithKline

IBM Canada  
Imperial Tobacco Canada Ltd.  
Kraft Canada Inc.  
Labatt Breweries of Canada  
Noranda Inc.  
Nortel Networks  
Petro Canada  
Pfizer Canada Inc.  
SaskTel  
Sears Canada Inc.  
Suncor Energy Inc.  
Van City Savings Credit Union  
Xerox Canada Ltd.

