



**“A School for Scandal: Corporate Social Responsibility
and Ethical Standards”
Wednesday, March 24, 2004
Integrating Social Initiatives and Causes into
Corporate Marketing Strategy
Four Seasons Hotel, Toronto, Ontario
Address Delivered by Dr. Gordon McIvor, Vice President,
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Good afternoon, ladies and gentlemen. It is my pleasure to be here with you today and I want to commend the Canadian Institute for bringing us together and championing initiatives such as corporate social responsibility.

I had initially entitled my remarks today “Building Innovative Win-Win Solutions Through CSR: A Crown corporation Perspective”, and I will address this topic; however the title of this discussion has been changed to “A School for Scandal: Corporate Social Responsibility and Ethical Standards”. Why the change? It comes from my own very deep concern that if we don’t address the growing list of moral and ethical challenges facing us in all aspects of life today, I for one am profoundly concerned that it may well be too late to salvage the world as we have known it. Now some of you may think that could be a good thing. But I think we are in danger of losing quite a lot that matters.

If I flip through the pile of newspapers and magazines sitting on my credenza, the covers represent a virtual rogues gallery. Of course there are still a lot of good CEOs out there who quietly succeed without bending the rules. But it does appear at least, that an alarming number of leaders, who were once looked up to and respected, are now mired in controversy. And alarming headlines don’t stop with the business pages – questionable political agendas, youth gang wars in schools, the threat of terrorism, bureaucratic bungling in the face of starvation and pandemic illness -- *not to mention* the havoc we are wreaking on the environment, which is actually more terrifying for the long term than any of these others. Just last Friday there was a devastating report in the Star and the National Post on a study warning that we may be in a sixth major period of extinction comparable to the late Triassic disruption 200 million years ago. Where was it? Buried on page 16 in the Star, 19 in the Post.

You may think I have just tossed together a bunch of apples and oranges and thrown in a couple of lemons as well. But I think not. I believe that these are just the entrails of a much larger issue: an insidious cynicism that has permeated almost every aspect of social, political and business life today. It is no respecter of persons or country and the level of infection is almost unparalleled in human history. I believe we that we must come to terms with it now. And it has to start by taking individual responsibility. That means it has to start with you and me.

Forbes Magazine’s Special Issue for March 15 this year profiles “The World’s Richest People.” And many of the names are familiar to us – Warren Buffet, Bill Gates, the Walton family, Prince Alwaleed – there are a lot of them. But one photograph on the cover caught my attention. J.K. Rowling joined the list of the world’s richest people this year. In what, a decade? – she has moved from welfare to billionaire. And if anything gives me a reason to hope for the future it is this.



No, I don't hold out hope that I could still join the club. But what it tells us is that children – and a lot of adults too – are unaffected by that cynicism. Most children – and I mean children everywhere -- want to believe in the triumph of good over evil and the empowerment of some magic that will set things right. Clearly many get derailed somewhere between childhood and adolescence – but for a while children are *hopeful*.

And as business people, government leaders, educators, we hold a moral trust to nurture that hope. We have an obligation to the next generation to leave a world that is better off – not worse than when we entered it.

So what does this have to do with Corporate Social Responsibility? By now you will see that I am convinced, -- quite a lot.

I have been pondering this issue of hope in our young people and the lessons they learn in school and how this integrates with the things they take from life. And I have also been thinking that a number of corporate leaders should go *back* to school to learn some of the basics – the ABCs of good behavior, the golden rule – “do unto others” – and just for the fun of it, let's throw in a little basic arithmetic. You know -- one plus one adds up to two.

So I thought it might be interesting to take a look at Corporate Social Responsibility from the perspective of the classroom – set up a few lessons I call the “School for Scandal” where some of the scoundrels out there should do a little time. So here we go – Cleaning Up Your Act 101.

Lesson Number One – Tell The Truth

Sounds simple doesn't it, but it is amazing how often people think they can just brush something aside with a simple falsehood. But it's *never* simple. Some of you know that I am very proud to be a Vice President at what is perhaps the most successful state-owned enterprises in our country, Canada Lands Company. We are a federal Crown corporation that was reactivated in 1995 to optimize the financial and community value obtained from properties no longer required by the Government of Canada. We are self-financing, pay all taxes, and implement innovative property solutions to enhance the quality of life in communities where we operate. Since our inception, the company has distributed hundreds of millions of dollars to the government.

Because Crown corporations are often under the public microscope, we have to be scrupulous about the facts. But there are other reasons to be up front, and therefore fair to other organizations and individuals. Honourable dealings invite an honourable response. It's amazing how often the straightforward approach works. We take this as a basic tenet in our relationships with the communities in which we work. It's a part of our corporate social responsibility policy and it has been remarkably effective for us. We have integrated corporate social responsibility into our business vision and we report on it regularly in our “balanced scorecard”. By implementing corporate social responsible activities into our daily business and publishing the results, we make our business motives crystal clear to stakeholders, and can easily demonstrate that decisions were made for the *right* reasons.



Lesson Number Two – Work Hard at Everything You Do

Children learn early that they can't get by just studying the subjects they love and ignoring the others. We try to ensure that they get a balanced education. They can't spend their day just reading, or playing games. They need to balance those things with all of the other subjects in their curriculum. It creates well-rounded individuals with sound perspective and judgement. It's the same thing for businesses. Just juggling the numbers isn't enough.

In business, a "balanced scorecard" approach achieves similar objectives – perspective and judgement. By adopting corporate social responsibility, a company acknowledges the importance of all of its key stakeholder groups. It addresses, not only the different priorities and needs of these key groups but also reintegrates those needs back into the activities of the organization.

Our balanced scorecard provides the company with a sound vehicle for reporting to our shareholder and other interested parties on our goals and achievements. The scorecard also works as an internal self-assessment tool that making it easier to manage and evaluate our performance. It does just what it says. It helps us to maintain balance and perspective.

We set clear goals and objectives for ourselves against a number of targets – not just financial . This enables us to manage and measure performance, and ultimately report on achievements and shortcomings with respect to the priorities of each of our key stakeholder groups. Sure we attempt to quantify performance wherever feasible, but we recognize that this is not always possible and our scorecard tracks both qualitative and quantitative indicators of performance, in terms of both financial and non-financial outcomes. We remind ourselves constantly that it's not just about the money.

Lesson Number Three – One Plus One is Two

Terry Corcoran the Editor-in-Chief of the Financial Post wrote a piece in January entitled "Practising Corporate Social Responsibility is Sure Recipe for Corporate Disaster". His theory is that the only purpose of the business enterprise is profit. This was echoed in the recent National Post article on teaching business ethics in MBA programs. So I want to make it clear right now that Canada Lands is profitable. We do know that an organization would quickly go out of business if there was more money going out than going in. The *balance* sheet has a very important place on our balance scorecard. And when I say we are profitable, there is no fancy footwork. It's just straight honest adding and subtracting that takes us to the bottom-line.

The real point for us is not whether Corporate Social Responsibility or profit should drive an organization, but are they in balance? Are they harmonized within the corporate culture. Corcoran defines Corporate Social Responsibility within a very narrow context – cutting cheques for charity or other causes -- when it is really about everything a company does – not just giving money to communities.



Lesson Number Four– Sometimes One Plus One *Does* Equal Three or Four or More

Young people learn early that if one has a ball and another a bat, it equals a baseball game. It is the same thing in business. At CLC we realize some wonderful synergies through our balanced scorecard approach incorporating both social and financial goals into everything we do.

In fact, corporate social responsibility has become a core value for Canada Lands. For each new project we undertake, we assess and actively budget for environmental, social and economic opportunities and develop a plan that enhances value creation, while striving to improve the quality of life in the local community.

Whether it is the construction of a park, the creation of affordable housing units or the restoration of a contaminated site, we can demonstrate we are achieving value-added benefits.

Let me share just one example of how Canada Lands' corporate social responsibility activities enhanced our business objectives. Situated on the former Canadian Forces Base Calgary, CLC Calgary is a 450 acre site that has evolved into a coveted location for residential, office and commercial development, and is one of Canada's most significant urban revitalization projects.

The Garrison Woods neighbourhood on the site was planned and developed after extensive public consultation. These consultations determined the need for a community that was well integrated into the surrounding neighbourhood; people wanted it to commemorate the site's military history; they wanted it pedestrian-friendly.

We put a lot of time and effort into getting this project right. We paid attention to what the community told us taking it into account in the planning and detailing of the site development. Military heritage was commemorated through street names and monuments. We created unique sidewalks that curve around mature trees that we took pains to preserve. Our published balanced scorecard made it clear to everyone that we had sound business motives for some seemingly charitable investments -- the dedication of heritage monuments, extensive parklands well beyond what was required and many other fine points that add up to a vibrant, thriving community.

The result? Our care and investment proved out. People demonstrated that they are willing to pay more for a unique, character-filled development. They got the homes they wanted and we received a very healthy boost to our financial bottom line.

Lesson Number Five – Green Is Also The Colour of Money

Children are taught “Go with Green.” And I support it.

At Canada Lands we care about the environment. And we think it makes good business sense to do so. In another example of how we aligned an investment in corporate social responsibility with business objectives that paid off for everyone, I would like to tell you about our Moncton Shops project in New Brunswick.



Like a phoenix that has risen from the ashes, the Moncton property emerged from a derelict industrial wasteland to become a prized community treasure that the people of New Brunswick will enjoy for generations. After years of railway use, the land was in desperate need of environmental remediation, and had long been considered both a health risk and an eyesore by local residents.

In order to rejuvenate the property, the company undertook a challenging brownfield project using an innovative site based risk-management approach. This enabled us to responsibly deal with the contamination on site rather than simply transferring the problem elsewhere through more traditional dig and dump methodologies. This was done in the context of economic viability and consideration of the site's end use.

Once again we used an extensive consultation and communication process to gain both community input and support, and to disseminate information dispelling the community's perceptions and fears regarding the site. After the remediation of the site was successfully completed, the City of Moncton acquired a portion of the property for the CN Sportplex, and retained Canada Lands to oversee the development of this major public recreation facility consisting of 16 sports fields and four ice rinks.

I think this underscores the enormous good will that was generated with the City and community through this project.

Canada Lands takes pride in knowing that its commitment to sustainable development has provided the City of Moncton and all of Atlantic Canada with a long-term public recreational greenspace that will provide economic and social benefits for years to come.

The site, which was fenced off for an extended period of time to prevent public access is now a vibrant, well used recreation area. By investing the time and money to communicate with stakeholders, research the project and carry out innovative environmental remediation activities, Canada Lands was able to achieve a cost avoidance of thirty-eight million dollars. It was initially thought that fifty million dollars would be needed to clean up the site and we were able to do it for twelve million dollars because of a socially responsible, consultative approach.

The remediation of the site was so well received that the project was recognized by the United States Environmental Protection Agency and the Phoenix Award Foundation and named the recipient of the inaugural International Phoenix Award, beating out projects from Germany and Australia.

And our published balanced scorecard helped all of our stakeholders understand our expenditure choices and see that they were ethically sound. It also gave them comfort that the \$38 million cost avoidance achieved on the project did not compromise any aspect of the clean up or end result. It was clear to everyone that our smart business decisions paid dividends for everyone.



Lesson Number Six – Care About Those Less Fortunate

As adults we spend a lot of time teaching kids this, but we often set them a pretty bad example. At Canada Lands, we try to do better. For the Garrison Woods project we worked with our partners to integrate Cyprus Green, an affordable housing community of refurbished family homes. These were relocated dwellings that were renovated with funding from all levels of government. The project made housing accessible to those that might not otherwise afford it, enabling them to use their disposable income for other things. And for Canada Lands, because the project generated good will with City of Calgary, we received expedited development approvals which in turn meant a faster completion of the project. And that meant enhancement of our bottom line.

Lesson Number Seven – Get Along. Share.

We are always telling children to get along with one another. Share their toys. It's a useful reminder for adults too. It's not always easy. But it helps if you talk about things.

Canada Lands became involved with another project this time in Montreal. The Benny Farm site had a history of confrontation and debate including attempted legal action that resulted in delays and complications. This is an 18 acre property originally consisting of 384 apartment units built in 1946 and 1947 to respond to the overwhelming need for post-war housing. In 1999, Canada Lands acquired the site from the Canada Mortgage and Housing Corporation and fulfilled a commitment to provide new housing for Benny Farm tenants, many of them veterans.

When we embarked on the process of establishing a master plan for the remainder of the site, we knew that a number of community groups had considerable interest in the property. And they were not reluctant to come forward directly or through the media to express very diverse views on the future uses for Benny Farm and our approach to the redevelopment of it. We decided to move forward by launching a tailored participatory process to engage the community and develop objectives for the future uses of the property taking into considerations the expectations of all stakeholders.

Following preliminary consultations with a wide range of community representatives, Canada Lands created the Benny Farm Task Force. These twelve individuals represented the diverse views within the community on the future uses and redevelopment of the site. The Task Force established common development objectives for Benny Farm's future, including the need for housing, neighbourhood services and issues related to the demolition or renovation of the existing buildings. From the beginning, Canada Lands managed the expectations of the members of the Task Force by stating that the company, as landowner, would only implement recommendations if they were financially viable and appropriate from a business perspective.



The Task Force completed its review of four proposed design alternatives and provided Canada Lands with its recommendations on the development plan for Benny Farm. Community opinion was also solicited. We received almost 300 responses and held a public information session to present the four design alternatives to nearly 400 community members. The feedback helped guide us in preparing a final plan for the site, which best balanced stakeholder interest and our business requirements.

Montréal recently announced the approval of our redevelopment plan for the Benny Farm site. The plan features 530 private, rental and subsidized housing units destined for low and moderate income households and community facilities. Before we embarked on our consultation process, the media was routinely critical and the community outspokenly dissatisfied. In a short time, we were able to complete our plan for Benny Farm, and with the support of the community, the media and the city.

By spending the time and resources to engage in an extensive public consultation exercise, we were able to work with the community and move a project forward that had previously been at a standstill. The company is now actually going to build on the site. And I don't need to tell you that this is going to generate some significant revenue for us.

So that's it. Schools out. Our experience with Corporate Social Responsibility and a Balanced Scorecard has convinced us that it is a way to improve our bottom line, not a tax on it. And I think more and more companies have come to realize that it is possible to do both – be socially responsible and turn significant profits. In fact, the interaction of the two together frequently pays dividends no one anticipates..

The issue of social responsibility is not going to go away. But how we respond to it may make all the difference in the future of our organizations.

I will remind you that the play “ A School For Scandal” was first produced at the Drury lane Theatre in London on May 8, 1777. You may remember that Richard Sheridan wrote this wonderful satire as a reflection on a dissolute social environment that had infected much of Europe. A louche, self-indulgent upper class was rife with superficial indulgence, hypocrisy and indifference to anything but their own amusement. Sound like anything you have read about recently?

Mmmmm, first staged in 1777. What else was going on in the world? Say, does 1776 ring a bell with anyone. A liberty bell perhaps? I seem to remember that a major upheaval was about to take place in France as well. Now I am not trying to frighten anyone. But let's face it, social responsibility is in everyone's best interest. It just makes good sense. Good people sense. Good government sense. And good dollars and cents.

Thank you very much.