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# Corporate *Social* Responsibility

An Implementation Guide  
for Canadian Business

Canada



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# Preface

There is a growing appetite among businesses for authoritative information, company examples and advice about corporate social responsibility. The federal government developed this guide to respond to the regular requests it gets for information about corporate social responsibility and the federal government's work with industry to promote sustainable development.

Publication of the guide comes at a time when multilateral organizations, governments, non-governmental organizations and other groups are devoting considerable time and energy to corporate social responsibility and related subjects. The guide builds on each of the following initiatives:

- ▶ The Organisation for Economic Co-operation and Development developed Guidelines for Multinational Enterprises (see page 47). Canada is a signatory to these voluntary principles and standards for responsible business conduct.
- ▶ The federal government articulated sustainable development responsibilities and committed to meeting them in its operations and through the programs and services it offers. In collaboration with Stratos Inc., the federal government has launched an on-line corporate Sustainability Reporting Toolkit to support and encourage companies to report on their environmental and social performance (see page 60).
- ▶ The Office of Consumer Affairs at Industry Canada published two guides for businesses wishing to implement responsible customer practices: *Voluntary Codes: A Guide for Their Development and Use* and *Consumer Complaints Management: A Guide for Canadian Business* (see page 74).
- ▶ With federal government support, the Conference Board of Canada issued a national corporate social responsibility report in 2004. The Conference Board and Imagine Canada developed the Corporate Responsibility Assessment Tool with support from the federal government (see page 28).
- ▶ Stratos Inc. produced the Benchmark Survey on Canadian Corporate Sustainability Reporting in 2001 and 2003, with financial support from the federal government ([www.stratos-sts.com/pages/publica010.htm](http://www.stratos-sts.com/pages/publica010.htm)).
- ▶ The organization Corporate Knights has developed corporate sustainability financial indicators, sponsored in part by the federal government (see page 13).

- ▶ With Canadian leadership, the International Organization for Standardization ([www.iso.org](http://www.iso.org)) is developing guidance standards for social responsibility as well as customer satisfaction codes of conduct and dispute resolution.
- ▶ In July 2005, a Special Representative to the United Nations Secretary-General was appointed to look at the issue of human rights and transnational corporations and other business enterprises.
- ▶ With support from the federal government, the National Round Table on the Environment and the Economy through its Task Force on Capital Markets and Sustainability has been exploring the links between sustainability and financial performance ([www.nrtee-trnee.ca](http://www.nrtee-trnee.ca)).
- ▶ Environment Canada has brought together an informal group of experts from the industry, banking, investment, academic, non-profit and public sectors to examine, develop, support and communicate the link between environmental performance and financial value and to make the link more relevant to business and financial sector audiences.

It is hoped that Canadian firms interested in implementing a corporate social responsibility approach will use this guide as a starting point. The guide reviews key issues to consider, offers options for addressing them, and refers to many specific tools that will likely be of assistance.

Readers should note that this guide considers corporate social responsibility to be only one aspect of a comprehensive multi-party effort to improve environmental and social conditions and prevent harm; the complementary actions of governments, non-governmental organizations, citizens and others are also necessary.

As well, firms that choose to implement a corporate social responsibility approach should note that this will involve a dynamic learning process, for which this guide is merely one source of information and assistance. Corporate social responsibility is a moving target that cannot be fully “achieved” by one-time activities and decisions. Thus, businesses should approach corporate social responsibility with a view to continual improvement, being alert to new issues and considerations. It is very possible that a firm could adopt the approaches described in this guide today and find itself facing new corporate social responsibility challenges and opportunities tomorrow.

The Office of Consumer Affairs (with support from the Strategic Policy Branch) at Industry Canada prepared this guide with financial support

from Environment Canada, International Trade Canada, Foreign Affairs Canada and Natural Resources Canada.

The process of development benefited from the input of an extensive external advisor group (see Appendix 1); however, this guide is not a consensus of that group, nor does it necessarily represent the views of the group members or the organizations to which they belong.

A debt of gratitude is also owed to the members of the federal Interdepartmental Working Group on Corporate Social Responsibility and the Developing Country “Sounding Board” Group, both of which provided invaluable advice and input.

In addition to those referred to above, special thanks is given to Kathrin Bohr and Margaret Floyd of Canadian Business for Social Responsibility, Lynn Johannson of E2 Management Corporation, Coro Strandberg of Strandberg Consulting, and Susan Todd of Solstice Sustainability Works Inc.

The initiatives or companies mentioned in this guide are not endorsed by any of the above-mentioned individuals, nor the organizations to which they belong, nor the federal government.



# Introduction

## Responsible business is good business

There is growing recognition of the significant effect the activities of the private sector have on society – on employees, customers, communities, the environment, competitors, business partners, investors, shareholders, governments and others. It is also becoming increasingly clear that firms can contribute to their own wealth and to overall societal wealth by considering the effect they have on the world at large when making decisions.

*Report on Business Magazine* recently noted that “many business leaders now believe that doing good for others means doing good for shareholders as well.”<sup>1</sup> Corporate social responsibility activities that integrate broader societal concerns into business strategy and performance are evidence of good management. In addition to building trust with the community and giving firms an edge in attracting good customers and employees, acting responsibly towards workers and others in society can be in the long-term interest of firms and their shareholders.

Businesses are an integral part of the communities in which they operate. Their success is based on continued good relations with a wide range of individuals, groups and institutions. As Michael Sabia, President and Chief Executive Officer of BCE Inc., has said, “Corporations are also social institutions. What they do and how they act and the role they play in the community they operate in is important. ... We can build better communities, stronger communities and, frankly, better places to operate business. The opportunity we have is compelling.”<sup>2</sup>

Canadians have high expectations of the private sector for responsible behaviour. Consumers expect goods and services to reflect socially and environmentally responsible business behaviour at competitive prices. Shareholders also search for enhanced financial performance that integrates social and environmental considerations. For example, according to a 2003 Environics poll conducted for Environment Canada, 9 out of 10 Canadian shareholders wanted fund managers to take environmental and social performance into account when valuing companies. In a 2004 GlobeScan survey, while 17 percent of Canadian respondents indicated that they had

***“There is no way to avoid paying serious attention to corporate citizenship: the costs of failing are simply too high. ... There are countless win-win opportunities waiting to be discovered: every activity in a firm’s value chain overlaps in some way with social factors – everything from how you buy or procure to how you do your research – yet very few companies have thought about this. The goal is to leverage your company’s unique capabilities in supporting social causes, and improve your competitive context at the same time. The job of today’s leaders is to stop being defensive and start thinking systematically about corporate responsibility.”***

***– Michael Porter, Professor,  
Harvard Business School, at the April 2005  
Business and Society Conference on  
Corporate Citizenship, sponsored by the University  
of Toronto’s Rotman School of Management***

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1. *Report on Business Magazine’s* corporate social responsibility ranking, March 2005.

2. Cited at [www.imagine.ca](http://www.imagine.ca)

read a corporate social or environmental report, 77 percent indicated an interest in learning more about corporate social responsibility. In addition, 71 percent noted their belief that consumers can make a difference in how responsibly a company behaves.<sup>3</sup>

Research by global organizations, including the World Economic Forum, the International Institute for Management Development, and Transparency International, indicates that Canadian business leaders are considered to be among the most credible, most ethical, least corrupt and most value-driven in the world.<sup>4</sup>

At the same time, leading industry associations, such as the Canadian Council of Chief Executives, have suggested Canada might gain a competitive advantage from corporate social responsibility:

“The very turmoil that has created so much market uncertainty therefore creates an opportunity for Canada to establish another important advantage in the global competition for people and investment. Establishing Canada’s reputation as the location of choice for well-run and responsible enterprises would represent a powerful contribution to our broader goal of making this country the best place in the world for people to live and to work and for enterprises to invest and to grow.”<sup>5</sup>

But while Canadian firms may have a good reputation on the whole, they risk losing their hard-earned good name when they fail to put systematic approaches in place to ensure continued positive performance. The effect of a tarnished reputation often extends far beyond that one firm: entire sectors and, indeed, nations can suffer. There are several notorious examples of corporations losing their footing as a result of questionable behaviour, with many others subsequently being the victim of the collateral damage. These firms frequently expend considerable time and money attempting to regain their reputation, with mixed results.

So what can be done to increase the likelihood that Canadian firms will enhance their good reputation, and continue to demonstrate positive social and environmental performance?

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3. Per 2003 Environics and 2004 GlobeScan polls.

4. Canadian Council of Chief Executives, *Governance, Values and Competitiveness: A Commitment to Leadership: A Statement of the Canadian Council of Chief Executives*, September 2002, p. 7.

5. Canadian Council of Chief Executives, p. 8.

One thing that governments are well placed to do is share information about best practices and provide guidance to firms concerning systematic approaches to meeting economic, environmental and social objectives in a balanced manner. These are the key objectives of this guide.


## **About this guide**

This guide is a primer on corporate social responsibility. As such, it contains information on how to assess the effects of business activities on others, develop and implement a corporate social responsibility strategy and commitments, and measure, evaluate and report on performance and engage with stakeholders.

Senior managers in firms of all sizes operating in Canada and abroad – from large corporations to small and medium-sized enterprises to micro-businesses – will find this guide valuable, as will management teams, board members and front-line employees, as well as industry association personnel who work with businesses. It is hoped that the guide will also prove useful to those already engaged in corporate social responsibility activities. Finally, those outside the commercial world (e.g. government officials, representatives of non-governmental organizations and members of the public) should gain insights into the challenges firms face when addressing the effect of their activities on society.

The guide distils ideas and processes from a variety of sources, and is intended to be suggestive, not prescriptive.

The guide has three parts.

- ▶ **Part 1** is an overview of corporate social responsibility – how it is defined, the business case for it and the relationship between corporate social responsibility and the law.
- ▶ **Part 2** sets out a six-stage “plan, do, check and improve” implementation framework for a corporate social responsibility approach. This part also features information particular to small business, which is indicated by this icon. 
- ▶ **Part 3** looks at stakeholder engagement and the integral role stakeholders can play in implementing an effective corporate social responsibility approach.

Four appendices contain supplementary information. There is a list of key sources upon which the Office of Consumer Affairs drew to prepare this guide (see page 73).

Every effort has been made to provide up-to-date examples of corporate social responsibility practices and initiatives. Nevertheless, readers are encouraged to communicate directly with relevant specialist organizations, industry associations and other experts to obtain the latest information on these initiatives.

The guide will be revised periodically, when demands warrant and resources permit. When possible, updates and additional material will be made available at [www.strategis.ic.gc.ca/csr](http://www.strategis.ic.gc.ca/csr)

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## Part 1

# An overview of corporate social responsibility

### What is corporate social responsibility?

Corporate social responsibility (CSR) is also known by a number of other names: corporate responsibility, corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, triple bottom line and responsible business, to name just a few.

CSR is an evolving concept that currently does not have a universally accepted definition. Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

The World Business Council for Sustainable Development has described CSR as the business contribution to sustainable economic development. Building on a base of compliance with legislation and regulations, CSR typically includes “beyond law” commitments and activities pertaining to:

- ▶ corporate governance and ethics
- ▶ health and safety
- ▶ environmental stewardship
- ▶ human rights (including core labour rights)
- ▶ human resource management
- ▶ community involvement, development and investment
- ▶ involvement of and respect for Aboriginal peoples
- ▶ corporate philanthropy and employee volunteering
- ▶ customer satisfaction and adherence to principles of fair competition
- ▶ anti-bribery and anti-corruption measures
- ▶ accountability, transparency and performance reporting
- ▶ supplier relations, for both domestic and international supply chains.

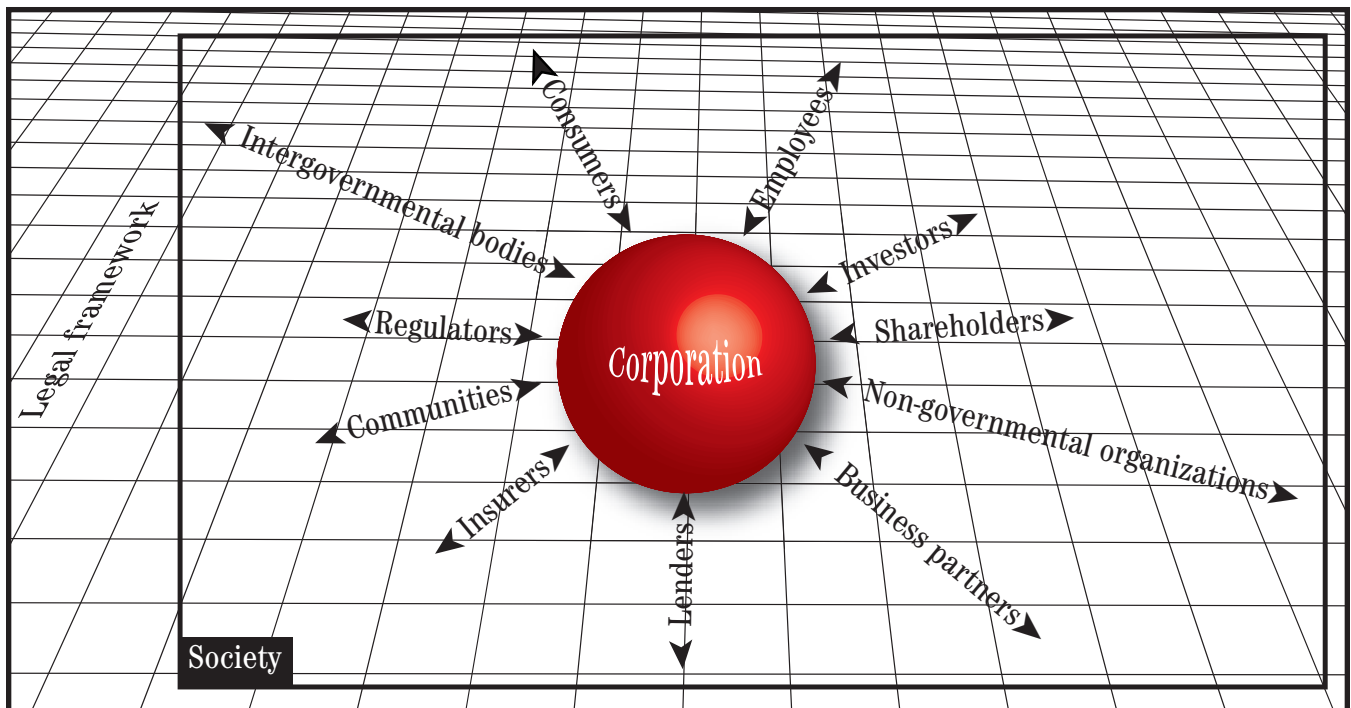
These elements of CSR are frequently interconnected and interdependent, and apply to firms wherever they operate.

*Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.*

Since businesses play a pivotal role in job and wealth creation in society, CSR is a central management concern. It positions companies to both proactively manage risks and take advantage of opportunities, especially with respect to their corporate reputation and broad engagement of stakeholders. The latter can include shareholders, employees, customers, communities, suppliers, governments, non-governmental organizations, international organizations and others affected by a company's activities (see Part 3, which is exclusively devoted to stakeholder engagement).

Above all, CSR is about performance: moving beyond words on a page to effective and observable actions and societal impacts. Performance

### CSR can involve a wide range of stakeholders



reporting is all part of transparent, accountable – and, hence, credible – corporate behaviour. There is considerable potential for problems when stakeholders perceive that a firm is just engaging in a public relations exercise and cannot demonstrate concrete actions that lead to real social and environmental benefits.

## Why has CSR become important?

Many factors and influences, including the following, have led to increasing attention being devoted to CSR:

- ▶ Globalization – with its attendant focus on cross-border trade, multi-national enterprises and global supply chains – is increasingly raising CSR concerns related to human resource management practices, environmental protection, and health and safety, among other things.
- ▶ Governments and intergovernmental bodies, such as the United Nations, the Organisation for Economic Co-operation and Development and the International Labour Organization have developed compacts, declarations, guidelines, principles and other instruments that outline social norms for acceptable conduct.
- ▶ Advances in communications technology, such as the Internet, cellular phones and personal digital assistants, are making it easier to track corporate activities and disseminate information about them. Non-governmental organizations now regularly draw attention through their websites to business practices they view as problematic.
- ▶ Consumers and investors are showing increasing interest in supporting responsible business practices and are demanding more information on how companies are addressing risks and opportunities related to social and environmental issues.
- ▶ Numerous serious and high-profile breaches of corporate ethics have contributed to elevated public mistrust of corporations and highlighted the need for improved corporate governance, transparency, accountability and ethical standards.
- ▶ Citizens in many countries are making it clear that corporations should meet standards of social and environmental care, no matter where they operate.
- ▶ There is increasing awareness of the limits of government legislative and regulatory initiatives to effectively capture all the issues that corporate social responsibility addresses.
- ▶ Businesses are recognizing that adopting an effective approach to CSR can reduce risk of business disruptions, open up new opportunities, and enhance brand and company reputation.

## What is the business case for CSR?

The business case for CSR differs from firm to firm, depending on a number of factors. These include the firm's size, products, activities, location, suppliers, leadership and reputation (as well as the reputation of

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### Companies should do more, multi-nation survey suggests

A 2004 GlobeScan CSR survey of more than 23 000 individuals in 21 countries suggests that the public expects more from the corporate sector:

- ▶ In industrialized countries, trust in domestic (49 percent) and global companies (38 percent) was lower than that of non-governmental organizations (68 percent), the United Nations (65 percent), national governments (52 percent) and labour unions (50 percent).
- ▶ People in most countries surveyed – less so in Asia and Africa – gave a negative assessment of the CSR performance of large companies.
- ▶ By assessing the frequency with which people reward or punish companies, the ethically active consumer market in developed countries was identified at somewhere between 12 to 30 percent.
- ▶ The general public in industrialized nations has an appetite for CSR information, with one in five surveyed having read CSR reports of individual companies. GlobeScan notes that “[i]f properly positioned, CSR reports may be viewed as a new corporate communications tool for companies, one that could be particularly effective in our ‘show me’ world.”

For more information, go to <http://strategis.ic.gc.ca/epic/internet/incsr-rse.nsf/en/rs00123e.html>

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## Investor recognition of CSR in the marketplace

The recent progress of the socially responsible investment (SRI) movement at the domestic and international levels provides evidence that the marketplace is developing both social and environmental criteria and related information to supplement the traditional financial criteria used to make investment decisions. Market indexes and professional firms now provide information to mutual funds, private equity funds, venture capital funds, commercial banks and other financial market investors about a wide range of corporate characteristics, including governance, human resource management, health and safety, environmental protection and community development. Some examples of SRI indexes are the Dow Jones Sustainability index, FTSE4GOOD 100 Index, Jantzi Social Index Canada, Innovest, Calvert CALVIN Social Index and KLD Domini 400 Index. The indexes, mutual funds and banks involved in SRI state how they define corporate responsibility and sustainability. Initially, SRI was about screening out potentially undesirable sectors (e.g. tobacco, gambling) but more recently SRI has moved to using positive criteria related to leadership approaches, planning processes and management practices in areas such as corporate governance and environment. There are many approaches to presenting the information.

the sector within which the firm operates). Another factor is the approach a firm takes to CSR, which can vary from being strategic and incremental on certain issues to becoming a mission-oriented CSR leader.

The business case for CSR also revolves around the fact that firms that fail to engage parties affected by their activities can jeopardize their ability to create wealth for themselves and society. Taking into account the interests and contributions of those with whom one interacts is the basis for ethical behaviour and sound governance. CSR is essentially a strategic approach for firms to anticipate and address issues associated with their interactions with others and, through those interactions, to succeed in their business endeavours.

There is growing consensus about the connection between corporate social responsibility and business success. The World Business Council for Sustainable Development has noted that a coherent CSR strategy based on integrity, sound values and a long-term approach offers clear business benefits to companies and contributes to the well-being of society. Ed Zander, Chairman and Chief Executive Officer of Motorola, states that “strong economic performance and good social and environmental performance are not mutually exclusive. In fact, I believe that good corporate citizenship improves our bottom line. It’s not surprising that many analysts and investors are paying closer attention to a company’s corporate citizenship efforts for purely fiduciary reasons. Firms with social citizenship records and a real commitment to corporate responsibility are arguably more sustainable, better managed and, therefore, better long-term investments.”<sup>1</sup> As Tony Fell, Chair of RBC Capital Markets, has stated, “the ongoing vitality of our communities is both in our long-term business interest and in the interests of a healthy, vibrant country. No enterprise operates in a vacuum.”<sup>2</sup>

## Potential benefits of implementing a CSR approach

Key potential benefits for firms implementing CSR include:

- ▶ *Better anticipation and management of an ever-expanding spectrum of risk.* Effectively managing social, environmental, legal, economic and other risks in an increasingly complex market environment, with greater oversight and stakeholder scrutiny of corporate activities, can improve the security of supply and overall

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1. Motorola, *Corporate Citizen Report*, 2004.

2. Imagine Canada, Public Policy Forum and The Conference Board of Canada, *Towards a new partnership for community building: A report from the Private/Voluntary Sector Forum*, April 2004.



market stability. Considering the interests of parties concerned about a firm's impact is one way of anticipating and managing risk.

- ▶ **Improved reputation management.** Organizations that perform well with regard to CSR can build reputation, while those that perform poorly can damage brand and company value when exposed. This is particularly important for organizations with high-value retail brands, which are often the focus of media, activist and consumer pressure. Reputation, or brand equity, is founded on values such as trust, credibility, reliability, quality and consistency. Even for companies that do not have direct retail exposure through brands, their reputation as a supply chain partner – both good and bad – for addressing CSR issues can make the difference between a business opportunity positively realized and an uphill climb to respectability.
- ▶ **Enhanced ability to recruit, develop and retain staff.** This can be the direct result of pride in the company's products and practices, or of introducing improved human resources practices, such as "family-friendly" policies. It can also be the indirect result of programs and activities that improve employee morale and loyalty. Employees become champions of a company for which they are proud to work.
- ▶ **Improved competitiveness and market positioning.** This can result from organizational, process and product differentiation and innovation. Good CSR practices can also lead to better access to new markets. For example, a firm may become certified to environmental and social standards so it can become a supplier to particular retailers.
- ▶ **Enhanced operational efficiencies and cost savings.** These flow in particular from improved efficiencies identified through a systematic approach to management that includes continuous improvement. For example, assessing the environmental and energy aspects of an operation can reveal opportunities for turning waste streams into revenue streams (wood chips into particle board, for example) and for system-wide reductions in energy use.
- ▶ **Improved ability to attract and build effective and efficient supply chain relationships.** Like-minded companies can form profitable long-term business relationships. Larger firms can stimulate smaller firms with whom they do business to implement a CSR approach. For example, some large automakers insist their suppliers be certified to environmental management systems standards. Similarly, some large apparel retailers require their suppliers to comply with worker codes and standards.

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### **Socially responsible investing in Canada showing significant growth**

A report released in April 2005 by the Social Investment Organization (SIO) (available at [www.socialinvestment.ca/SIReview04.pdf](http://www.socialinvestment.ca/SIReview04.pdf)) estimates that socially responsible investment in Canada has grown to \$65.5 billion, a 27 percent increase in the last two years. The report shows that there has been solid growth across most categories of socially responsible investment, including asset management, retail investment funds, community investment, shareholder advocacy and socially responsible lending. "The market for socially responsible investment shows great potential," states the report, based on a survey of assets conducted by the SIO every two years. "It's clear that there is much room for growth in this market both for mainstream and non-mainstream players, and for the introduction of new products and services."

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### **Canada Pension Plan Investment Board's Policy on Responsible Investing**

In October 2005, the Canada Pension Plan (CPP) Investment Board announced its new Policy on Responsible Investing. The policy includes the commitment to build an engagement capability and to use its influence as a shareholder in more than 1800 companies to encourage improved performance on and disclosure of environmental, social and governance factors. The CPP reserve fund exceeds \$90 billion. The CPP Investment Board is accountable to the 16 million Canadians who contribute to or benefit from the CPP. For further information, go to [www.cppib.ca/how/social/](http://www.cppib.ca/how/social/)

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## Study shows benefits of CSR

Based on a two-year study, the World Business Council for Sustainable Development has drawn several conclusions about the benefits of CSR to companies.

- ▶ A coherent CSR strategy, based on integrity, sound values and a long-term approach, offers clear business benefits to companies and helps a firm make a positive contribution to society.
- ▶ A CSR strategy provides businesses with the opportunity to show their human face.
- ▶ Such a strategy requires engagement in open dialogue and constructive partnerships with governments at various levels, intergovernmental organizations, non-governmental organizations, other elements of civil society and, in particular, local communities.
- ▶ When implementing a CSR strategy, companies should recognize and respect local and cultural differences, while maintaining high and consistent global standards and policies.
- ▶ Being responsive to local differences means taking specific initiatives.

The full report is available at [www.wbcsd.org](http://www.wbcsd.org)

- ▶ *Enhanced ability to address change.* A company with its “ear to the ground” through regular stakeholder dialogue is in a better position to anticipate and respond to regulatory, economic, social and environmental changes that may occur.
- ▶ *More robust “social licence” to operate in the community.* Improved citizen and stakeholder understanding of the firm and its objectives and activities translates into improved stakeholder relations. This, in turn, may evolve into more robust and enduring public, private and civil society alliances (all of which relate closely to CSR reputation, as discussed above).
- ▶ *Access to capital.* Financial institutions are increasingly incorporating social and environmental criteria into their assessment of projects. When making decisions about where to place their money, investors are looking for indicators of effective CSR management.
- ▶ *Improved relations with regulators.* In a number of jurisdictions, governments have expedited approval processes for firms that have undertaken social and environmental activities beyond those required by regulation.

As these points suggest, businesses are beginning to recognize that their corporate reputation is closely connected to how well they consider the effects of their activities on those with whom they interact. As a result, reputation is an invaluable, albeit largely intangible, corporate asset that must be managed as carefully as any other.

Firms typically put a CSR approach in place for more than just economic reasons. In many cases, it is also due to moral principles, belief that it is the right thing to do and concern for the welfare of present and future generations that spur a firm to consider its responsibilities.

Finally, it is also important to acknowledge that while positive or neutral correlations between social and environmental responsibility and superior financial performance have generally been supported by the evidence, conclusive causal links have not. Many studies are being undertaken, with varying conclusions.<sup>3</sup> Suffice it to say that research is continuing on this issue.

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3. See, for example, Orlitzky, M., Schmidt, F. and Rynes, S., “Corporate social and financial performance: A meta-analysis,” *Organizational Studies* 24, 2003, pp. 403–441, a review of 52 studies over the past 30 years. See also Ganzi, J.T., Steedmand, E., Quenneville, S., *Linking Environmental Performance to Business Value: A North American Perspective*, Commission for Environmental Cooperation, 2004.

## **Working with Aboriginal peoples**

In view of the special role Aboriginal peoples, culture, rights and treaties play in Canadian society, it is important to highlight the potential and actual connections between CSR and work with Aboriginal peoples.

CSR is based on the fundamental notion of social and cultural respect for those with whom a firm interacts. Increasingly, Canadian firms are recognizing the value of working with Aboriginal peoples, communities and businesses to develop business approaches that benefit all concerned. There are opportunities for such collaborations in both urban and rural settings.

In the fall of 2004, IBM Canada announced a program to enhance Aboriginal economic opportunities and do more business in Aboriginal communities and with Aboriginal-owned businesses. The company is partnering with the Manitoba government to address barriers to Aboriginal participation in the economy and is planning to launch the Aboriginal People in Technology hiring program. The company is also developing partnerships with several Aboriginal-owned companies.

Syncrude is now one of the largest industrial employers of Aboriginal people in Canada: more than 13 percent of Syncrude's employee-contractor workforce is Aboriginal. In 2000, the value of Syncrude's business contracts with Aboriginal-owned or -controlled firms was \$72 million. Syncrude also has Aboriginal educational, environmental and cultural programs in place.

Placer Dome and Kinross Gold Corporation and six First Nations communities in northern Ontario have negotiated and renewed an impact benefit agreement related to the Musselwhite Mine. The agreement includes provisions on revenue sharing, employment and training, supply contracts and involvement of the affected communities in environmental protection and monitoring.

Husky Injection Molding Systems Ltd. worked with the Moose Deer Point First Nation to construct a world-class injection molding facility on the reserve, which the community now fully owns and operates.

A number of Canadian organizations have developed sustainable forestry management standards, such as the Canadian Standards Association's Sustainable Forestry Management Standard and the Forest Stewardship Council's sustainable forestry standards. These standards emphasize the distinctive and significant role that Aboriginal peoples and communities should play in Canadian forestry cultivation.

The Conference Board of Canada and others have noted that non-Aboriginal businesses have a strong interest in economic collaboration with

their Aboriginal counterparts. Over the past 20 years, numerous and substantive relations between these groups have developed, emerging due to the strong economic, social and legal motivations for all involved. For more information on the Conference Board's work in this area, go to

[www.conferenceboard.ca/GCSR/networks/ccar.asp](http://www.conferenceboard.ca/GCSR/networks/ccar.asp)

This trend of collaboration is further supported by Canadian Business for Social Responsibility's soon-to-be released guide to leadership practices, based on the *Building Sustainable Relationships: Aboriginal Engagement and Sustainability Conference* in February 2005. The mutually beneficial and innovative practices profiled at this conference reflect the value of collaboration between Aboriginal and non-Aboriginal partners, building economic, cultural, social and environmental sustainability for companies and communities. For more information, go to [www.cbsr.ca](http://www.cbsr.ca)

## **Are firms benefiting from CSR activities?**

A number of Canadian firms are beginning to benefit from their CSR activities. Here are some examples.

- ▶ Husky Injection Molding Systems Ltd. expended considerable energy developing and implementing its Purpose and Core Values initiative, which emphasizes people, the environment, the community and ethics. The company reports that this approach has led to governments issuing various permits faster than previously. The firm also reports that a \$4.2 million investment in environmental and health and safety programs resulted in estimated savings of \$9 million, including fewer injuries and lower absenteeism among employees.
- ▶ After studying Falconbridge's sustainability and operations track record and being impressed by it, Société minière du Sud Pacifique approached the firm to develop a ferronickel plant in New Caledonia, an environmentally sensitive tropical island. The plant is now up and running.
- ▶ Montréal-born eco-designer Joanna Notkin discovered that most cotton and wool products are finished with chemical processes and that cotton crops use more than 25 percent of the world's pesticides, which often seep into the water table. Notkin established the home furnishings company LooLo in an effort to minimize the environmental impacts of the textile industry, one of the world's worst industrial polluters. LooLo products are now receiving considerable media

attention because they use specially sourced, organically grown or chemical-free, and compostable materials.

- ▶ The Responsible Care initiative of the Canadian Chemical Producers' Association comprises a comprehensive set of principles and codes and an associated verification and public reporting process. It sparked similar initiatives in more than 40 other countries. The Association's website ([www.ccpa.ca](http://www.ccpa.ca)) notes a number of examples of successful community outreach programs, in which chemical plant operations were improved following public consultation.
- ▶ British Columbia-based Vancity Savings Credit Union has developed a number of innovative financial products and services, stemming from its Statement of Values and Commitments and the stakeholder engagement associated with it. These products include a values-based credit card (EnviroFund VISA), self-reliance business loans that do not require collateral, a socially responsible mutual fund, and a number of products that allow members to choose investments that reflect their values.
- ▶ In 2001, the forestry company Tembec committed to having its nearly 13 million hectares of forestry lands certified by the Forest Stewardship Council by 2005. In 2002 and 2003, Tembec made agreements with a number of environmental groups to conserve certain environmentally significant areas. Tembec officials have remarked that this action has led to increased market security and more tangible results: in late 2003, Tembec signed an agreement that more of the lumber it supplies to Home Depot will come from its certified forestry operations. In March 2004, Tembec was ranked the number one forestry company in Canada, according to *Report on Business Magazine's* CSR rankings.
- ▶ Suncor Energy Inc. has gone to considerable lengths to put effective sustainability practices in place and to work with local communities. The company is reaping rewards in the form of increased community acceptance of its plans for expansion.
- ▶ New Society Publishers is devoted to building an ecologically sustainable and just society. In 2001, the company made a public commitment to publish all of its new titles on 100 percent post-consumer recycled paper. As a result of this initiative, the firm made significant contacts throughout the environmental movement, was named B.C. publisher of the year in 2003 and received the Ethics in Action award.

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### **CSR financial indicators**

Corporate Knights is a Canadian publishing company devoted to making business more responsible through various CSR transparency and accountability measures. With support from the federal government, the organization assembled a multi-stakeholder team that has developed a set of industry-specific and industry-wide CSR financial indicators. For more information, go to [www.corporateknights.ca](http://www.corporateknights.ca)

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### **Conversations with Disbelievers**

Understanding the connection between business success and integrating CSR into decision making continues to attract considerable attention. For an in-depth and ongoing exploration of this, go to *Conversations with Disbelievers* ([www.conversations-with-disbelievers.net/site](http://www.conversations-with-disbelievers.net/site)), which provides data, case studies and special reports on this topic. The site is sponsored by the Ford Foundation and involves a number of partners from around the world.

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### Canadian case studies

Working with Five Winds International, the Government of Canada published *Corporate Social Responsibility Lessons Learned* and 10 accompanying case studies ([www.nrcan.gc.ca/sd-dd/pubs/csr-rse/csr\\_e.html](http://www.nrcan.gc.ca/sd-dd/pubs/csr-rse/csr_e.html)).

- ▶ According to oil and gas firm Nexen Inc., its global reputation as a fair and ethical company is a key competitive advantage: the trust it has earned helps it attract and retain talented employees. “We’re welcome in the communities where we operate because we involve local people in decisions that affect them and develop mutually beneficial relationships.”<sup>4</sup>
- ▶ RBC Financial Group has been included in the Dow Jones Sustainability World Index of financial, social and environmental leaders. The index recognizes more than 300 companies from 22 countries as being among the top 10 percent of firms in their industry in terms of corporate sustainability. The rankings are based on an assessment of environmental, social and economic performance.

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### SustainAbility’s view on the changing landscape of liability

“The issue of past, current and potential liabilities has exercised boards of large companies for decades. This report makes the case that the landscape of liability – and therefore the risks for companies and to shareholder value – is changing and changing rapidly. It explores the evidence, maps the changes and attempts to guide business with the help of studies to navigate new and uncharted territory. The studies examine and draw conclusions in relation to climate change, human rights, obesity and legacy issues.” ([www.sustainability.com/insight/liability-article.asp?id=180](http://www.sustainability.com/insight/liability-article.asp?id=180))

## What is the relationship between CSR and the law?

There is a close relationship between CSR and the law. The main instrument governments use to address a firm’s social, environmental and economic impacts is the law. For example, in Canada there is a wide range of laws at the federal, provincial, territorial and local levels of government pertaining to consumers, workers, health and safety, human rights and environmental protection, bribery and corruption, corporate governance and taxation. A firm’s corporate social responsibility approach should ensure compliance with the social, environmental and economic laws already in place. The CSR activities of firms can be seen as a proactive method of addressing potentially problematic conduct before it attracts legal attention.

- ▶ *Performance reporting and the law.* There are a number of federal laws in place requiring firms in particular sectors to publicly disclose certain of their practices and activities. For example, banks and federally incorporated trust and insurance firms with more than \$1 billion in equity are now required by federal law to produce annual public accountability statements outlining their contributions to the Canadian economy and society. The *Canadian Environmental Protection Act, 1999*, requires businesses to disclose their use of certain toxic substances through the National Pollutant Release Inventory. The federal *Competition Act* prohibits false or misleading business practices. It should also be noted that due to increased

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4. See [www.nexeninc.com/Investors/President\\_Update/Update3.asp](http://www.nexeninc.com/Investors/President_Update/Update3.asp)

scrutiny from the investment community, companies are now under more legal pressure to disclose activities and issues that may have a material impact on the companies and their investors' decision making. (See, for example, the Canadian Institute of Chartered Accountants' management discussion and analysis document, which addresses many of these issues; see page 57.)

- ▶ **Corporate governance and disclosure.** In June 2005, new corporate governance guidelines passed by the Canadian Securities Administrators came into force. The guidelines cover the following topics: board independence, the role of the board and management, board assessment, director selection, senior officer compensation, written codes of business conduct and ethics to promote integrity and deter wrongdoing, and board responsibility for monitoring compliance with the codes. These codes are to address legal compliance and reporting of illegal or unethical behaviour. In this sense, social and environmental issues are integral components of the new corporate governance agenda. Firms issuing securities are required to publicly disclose their corporate governance practices. When a firm adopts an approach to corporate governance that varies from the guidelines, it is required to describe how that approach still meets the guidelines' objectives.
- ▶ **Bribery.** Corporate social responsibility also stresses that firms should adopt responsible practices wherever they operate. In 1999, as a follow-up to the Organisation for Economic Co-operation and Development's 1997 Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the Government of Canada passed the *Corruption of Foreign Public Officials Act*, making it illegal for Canadian businesses and individuals to bribe foreign officials to obtain or retain business.
- ▶ **Other jurisdictions.** In the United Kingdom, legislation now requires pension fund trustees to publish a comment in their investment statements on the extent to which their investment policies address social, ethical and environmental issues. In France and other European countries, laws require companies to report on their social and environmental performance. In the United States, a number of firms have been sued under the *Alien Tort Claims Act* (e.g. *Doe v. Unocal*), which raises the possibility that corporate liability could be established through transnational civil litigation. The United States has also

significantly revised its corporate governance legislation in recent years, in particular, passing the *Sarbanes-Oxley Act* in 2002. The net effect of this legislation has been to increase the obligations on executives to certify and report on a public corporation's activities. At the United Nations, a Special Representative on Business and Human Rights to the Secretary-General was appointed in July 2005. The Special Representative is expected to identify standards of corporate responsibility and accountability, enhance understanding and recognition of these standards, and issue recommendations on future United Nations work pertaining to business and human rights issues.



## **Part 2**

# **Implementing corporate social responsibility**

There is no one-size-fits-all method for implementing a corporate social responsibility (CSR) approach: each firm has unique characteristics and circumstances that will affect how it views its social responsibilities; and each will vary in its awareness of CSR issues and how much work it has already done towards implementing a CSR approach.

That being said, there is considerable value in proceeding with CSR implementation in a systematic way – in harmony with the firm’s mission, and sensitive to its business culture, environment and risk profile, and operating conditions. It is clear that many firms are already engaged in customer, employee, community and environmental activities that can be excellent starting points for firm-wide CSR approaches. CSR can be phased in by focussing carefully on priorities in accordance with resource or time constraints. Alternatively, more comprehensive and systematic approaches can be pursued when resources and overall priorities permit or require. The bottom line is that CSR needs to be integrated into the firm’s core decision making, strategy, management processes and activities, be it incrementally or comprehensively.

What follows is a broad framework for implementing a CSR approach that builds on existing experience as well as knowledge of other fields, such as quality and environmental management. The framework follows the familiar “plan, do, check and improve” model that underlies such well-known initiatives as those of the International Organization for Standardization in the areas of quality and environmental management systems. The framework is also intended to be flexible, and firms are encouraged to adapt it as appropriate for their organization.

## **CSR implementation framework and corporate governance**






A well-designed CSR implementation framework integrates economic, social and environmental decision making throughout a firm – from the board of directors to front-line officials and contractual supply-chain

partners – and is therefore intimately connected with effective corporate governance. A properly governed firm can reap optimal benefits for itself and its shareholders, and in turn for those who are affected by the firm's activities. At all levels of a firm, inadequate direction and control of its activities and assets can jeopardize its very ability to operate.

In recognition of this, industry associations, investors, governments and others are increasingly calling for, among other things, enhanced transparency and disclosure, and more rigorous corporate governance standards, such as the separation of the jobs of chairman and chief executive, improved board structures and effective codes of conduct. There are also calls for boards of directors and senior managers to consider the societal impacts of their firm's activities, given that those affected have the potential to significantly impair or enhance a firm's ability to create wealth. In this way, the notion of corporate governance is expanding to include some of the broader elements of CSR. In particular, there is a need for corporate decision makers to consider the effect of firm-society interactions on performance, to develop appropriate responses that minimize harmful social and environmental impacts and optimize opportunities, and to measure and disclose progress in this area.

This guide proposes an implementation framework comprising six key tasks (see chart, opposite). In recognition of the fact that firms are at different levels of sophistication and development with respect to CSR, it is understood that firms may choose to forego a particular aspect or task when it has already been undertaken.

## Implementation framework

When? (Conceptual phase)	What? (Task delineation)	How? (Checkpoints on the journey)
<b>Plan</b> 	<b>Conduct a CSR assessment</b>	<ul style="list-style-type: none"> <li>▶ Assemble a CSR leadership team</li> <li>▶ Develop a working definition of CSR</li> <li>▶ Review corporate documents, processes and activities</li> <li>▶ Identify and engage key stakeholders</li> </ul>
	<b>Develop a CSR strategy</b>	<ul style="list-style-type: none"> <li>▶ Build support with senior management and employees</li> <li>▶ Research what others are doing</li> <li>▶ Prepare a matrix of proposed CSR actions</li> <li>▶ Develop options for proceeding and the business case for them</li> <li>▶ Decide on direction, approach and focus areas</li> </ul>
<b>Do</b> 	<b>Develop CSR commitments</b>	<ul style="list-style-type: none"> <li>▶ Do a scan of CSR commitments</li> <li>▶ Hold discussions with major stakeholders</li> <li>▶ Create a working group to develop the commitments</li> <li>▶ Prepare a preliminary draft</li> <li>▶ Consult with affected stakeholders</li> <li>▶ Revise and publish the commitments</li> </ul>
	<b>Implement CSR commitments</b>	<ul style="list-style-type: none"> <li>▶ Develop an integrated CSR decision-making structure</li> <li>▶ Prepare and implement a CSR business plan</li> <li>▶ Set measurable targets and identify performance measures</li> <li>▶ Engage employees and others to whom CSR commitments apply</li> <li>▶ Design and conduct CSR training</li> <li>▶ Establish mechanisms for addressing problematic behaviour</li> <li>▶ Create internal and external communications plans</li> </ul>
<b>Check</b> 	<b>Verify and report on progress</b>	<ul style="list-style-type: none"> <li>▶ Measure and verify performance</li> <li>▶ Engage stakeholders</li> <li>▶ Report on performance</li> </ul>
<b>Improve</b> 	<b>Evaluate and improve</b>	<ul style="list-style-type: none"> <li>▶ Evaluate performance</li> <li>▶ Identify opportunities for improvement</li> <li>▶ Engage stakeholders</li> </ul>
<b>Cross-check: One cycle completed</b> 		<ul style="list-style-type: none"> <li>▶ Return to plan and start the next cycle</li> </ul>

The framework is intended to help boards of directors, managers, employees and others assess a firm's effects on society and the challenges and opportunities associated with taking these impacts into account in decision making and business activities. It should also help stakeholders transform these insights into strategies, commitments, organizational changes and activities that can form the basis for measuring, reporting and evaluating CSR performance and making appropriate changes. As understood here, a firm's CSR approach is an integral part of its core business objectives, approaches and competencies.

## CSR and small businesses

In Canada, 98 percent of Canadian companies fall into the “small business” category. Many of these firms have fewer than 50 employees; more still have fewer than 5 people. There are approximately 780 000 of these micro-businesses in Canada. Each year, 150 000 Canadians start their own businesses.<sup>1</sup>

Smaller firms tend to have less public profile than their large counterparts, so non-governmental organizations may not target them for failing to take their societal impacts into account. However, the support of the community around small firms can be as essential for their success as it is for large businesses. In fact, larger firms in the CSR spotlight may seek out as business partners small local firms with CSR approaches in place.

A Canadian Federation of Independent Business survey of its members found that doing things right, even at a cost, is important for small businesses. For example, the survey revealed that “SMEs [small and medium-sized enterprises] are strongly committed to environmental protection, which is evident through their significant progress achieved during the past decade.”<sup>2</sup>

The distinct challenges facing small business – such as being strapped for time, money and resources – are well known. But while these challenges are great, smaller businesses are also recognizing the value of embracing corporate social responsibility.

The CSR implementation framework set out in this guide is built around the “plan, do, check and improve” model, which is a sound approach for firms of any size. However, many of the steps may be too elaborate for

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1. For statistics and information on small business in Canada, go to the Canadian Federation of Independent Business website ([www.cfib.ca](http://www.cfib.ca)).

2. Canadian Federation of Independent Business, *The Natural Facts*, June 2001, a survey of more than 4300 small businesses across Canada.

small businesses. To address the needs of small business owners and their employees, tips for simplifying the process are provided throughout, in boxes marked with this icon.



In addition, pages 30–31 list suggestions for CSR activities particularly suited to small businesses. The suggestions may also be of interest to those in larger firms.

Canadian Business for Social Responsibility's Small Business Toolkit is available free for members or for a small fee to non-members. For information on the toolkit, visit the CBSR website ([www.cbsr.ca](http://www.cbsr.ca)). See also the case studies and related material on the World Business Council for Sustainable Development website ([www.wbcsd.org](http://www.wbcsd.org)), as well as the material at [www.smallbusinessjourney.com](http://www.smallbusinessjourney.com)

## T A S K 1

## CONDUCT A CSR ASSESSMENT

### What is a CSR assessment?

No firm – big or small – is likely to do anything about CSR, unless the board of directors, senior management or owners recognize that some sort of CSR-related problem, opportunity or challenge exists. This recognition, nascent or fully articulated, in turn provides the fuel for proceeding with a CSR assessment, with the hope of shedding light on the nature of the problem, opportunity or challenge and its significance.

A logical first step is to gather and examine relevant information about the firm's products, services, decision-making processes and activities to determine accurately where the firm is now with respect to CSR activity, and to locate its "pressure points" for CSR action. A proper CSR assessment should provide an understanding of the following:

- ▶ the firm's values and ethics
- ▶ the internal and external drivers motivating the firm to undertake a more systematic approach to CSR
- ▶ the key CSR issues that are affecting or could affect the firm
- ▶ key stakeholders who are, or who need to be, engaged
- ▶ the current corporate decision-making structure and its strengths and inadequacies in terms of implementing a more integrated CSR approach
- ▶ the human resource and budgetary implications of such an approach
- ▶ existing CSR-related initiatives.

The assessment should identify the main risks and opportunities, and culminate in a thorough gap analysis: where is the organization strong and where is it weak relative to internal goals, peers and best practices? This is essential information for identifying priorities and for selling the approach within and outside the firm.

### Why do an assessment?

When the board of directors and top management or owners do not have an accurate snapshot of how far the firm is down the CSR road, it is unlikely they will be able to make informed decisions about moving ahead.

Front-end intelligence gathering in the form of a CSR assessment can save a firm from launching a CSR approach or heading in a direction that is not sustainable. An assessment can also help identify CSR gaps and opportunities and thereby improve business decision making.

Many firms are already engaging in CSR activities without necessarily identifying them as such, and frequently a firm can introduce a CSR approach to support or complement this work without much incremental investment. For example, a firm may have in place quality, environmental, occupational health and safety and other management systems, employee educational advancement programs or community outreach initiatives. These are likely to become important building blocks of a systematic CSR approach. Among other things, a CSR assessment should identify all of these existing implicit initiatives, so they can be properly considered as part of a larger CSR approach.

## **How to do an assessment**

A four-stage CSR assessment process is set out below.

1. Assemble a CSR leadership team
2. Develop a working definition of CSR
3. Review corporate documents, processes and activities
4. Identify and engage key stakeholders

This is not the only way to do an assessment; rather it is one way a firm can review the full range of its operations through a CSR lens. A number of organizations have developed useful tools to help firms do their assessment (see page 28). The bottom line is that as long as the firm does a thorough appraisal of its current and potential activities from a CSR perspective then it will have achieved the objective of the assessment.

### **1. Assemble a CSR leadership team**

Ideally, a CSR leadership team would include representatives from the board of directors and top management or owners, as well as volunteers from various units within the firm that are affected by or involved in CSR issues. Other representatives could be senior personnel from human resources, environmental services, health and safety, community relations, legal affairs, finance and communications. Front-line staff in these areas and any other personnel who may become key players involved in implementing the CSR approach the firm eventually develops should also be on the team.

Keen employees should be encouraged to volunteer their time, energy and ideas. As the work of the team progresses and a better understanding of the implications of CSR for the firm emerges, it is quite possible that the membership of the team will change.

Even when there are no members of the board of directors on the team, it is vitally important that it be directly accountable to senior management and, ultimately, the board. This acknowledges that effective CSR implementation requires integration of the principles of corporate social responsibility into the firm's central values and activities. Identifying a key senior manager as CSR champion sends a clear signal that the firm considers corporate social responsibility to be important.

## **2. Develop a working definition of CSR**

The first task of the leadership team is to develop a working definition of CSR for the firm. This will become the foundation for the rest of the assessment.

The definition for CSR should be something quite general. Here are some examples.

- ▶ CSR is the firm's practices and policies that contribute to the well-being of the environment, economy and society. They address the needs of customers, suppliers, shareholders and employees, as well as those of government, the general public and the communities where the firm operates, without compromising the ability of future generations to meet their own needs.
- ▶ CSR is the way the company integrates economic, environmental and social objectives while, at the same time, addressing stakeholder expectations and sustaining or enhancing shareholder value.
- ▶ CSR is the overall relationship between the corporation and its stakeholders, which include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of CSR include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.
- ▶ CSR is the responsibility the firm has to its stakeholders. It means that the firm's products and services create value for customers and contribute to the well-being of society. It means the firm operates using ethical business practices and expects the same from its suppliers and partners. It means minimizing the environmental impact of its facilities and products. It means providing jobs, paying taxes and making a profit, as well as supporting philanthropy and community involvement.



It means treating employees with respect and being a good neighbour to the people next door as well as those half a world away.

The team may also wish to identify key values that motivate the firm, and particular concerns it and members of its supply chain have, such as inclusivity, stewardship and integrity. These could be related, for example, to the environment, workplace, community relations (including Aboriginal peoples, when relevant), human rights, customers, government relations, bribery and corruption, or corporate governance.

Engaging people at all levels of the organization – from employees to managers and members of the board of directors – from the very beginning in developing the definition will help ensure the approach the firm ultimately takes to CSR will resonate and be accepted throughout the organization.

The input of members of the board and senior managers can be particularly helpful in articulating a definition, since they should be able to shed light on the initial motivations for launching work on CSR.

### 3. Review corporate documents, processes and activities

With a working CSR definition and an initial understanding of the motivations behind the firm's interest in CSR, the team should then review key corporate documents, processes and activities for actual and potential CSR implications.

► **Documents.** Existing mission statements, policies, codes of conduct, principles and other operating documents are logical candidates for review, as are external documents associated with programs or initiatives in which the firm is involved (e.g. if the firm “subscribes” to a set of sector-wide standards, principles or guidelines. It may be that the existing mission statement, policies or codes address worker relations, customer satisfaction or environmental protection in some regard. It is useful for the leadership team to explore why these items were developed and to learn from them (or at least acknowledge that they are CSR-related). It may be that they were past responses to CSR pressure points. By the same token, an absence of any reference to societal impacts or commitments in these documents may indicate that a culture shift may be required to effectively integrate CSR into decision making and business activities.



### Make sure to do this

Create a list of all the possible elements of a CSR approach and check off what the firm is already doing, noting any gaps. To create the list, define the firm's stakeholder groups (such as employees and representatives of the communities where the firm operates) and come up with three or four initiatives for each.



### Quick tips

- Consider using one of the many existing self-assessment tools (see page 28).
- Engage a consulting firm to do the assessment.
- Ask an industry association or CSR specialist organization whether it offers assistance with self-assessment. (If not, encourage it to do so.)



## Reality check

*“Assembling a leadership team, developing a working definition of CSR with employee/management engagement, reviewing core documents, decision-making processes and CSR-related activities, and engaging stakeholders. Do you know how much time it will take to simply recruit and engage a leadership team that represents all of our business lines and offices throughout Canada and around the world, let alone schedule them into regular meetings to manage CSR activities? You’ve got to be kidding!”*

If done properly, effective CSR implementation does indeed take a significant investment of resources at the “front end” of the process. The commercial returns for this investment flow from your firm being as prepared as possible to address the CSR challenges, opportunities and choices available, and your firm being less vulnerable to unexpected social and environment-related challenges to its activities and products. The working definition is the key element of the road map: it helps to ensure that everything that happens afterward is on course. Quite often, focusing on a small group of people who are already interested in and knowledgeable about CSR is a good starting point – develop the members of that group into CSR ambassadors. Also, it is important to realize that change takes time and that optimism must be tempered with patience. Develop a phased plan, budget realistically and get the appropriate sign-offs up front.

- ▶ **Processes.** Firms typically have specific decision processes and associated decision-making bodies in place to address particular aspects of operations, and these may bear on the CSR approach. For example, a health and safety committee may take the lead in determining the resources, training and implementation of worker health and safety programs. Senior counsel may play a key role in decisions about environmental protection activities, in conjunction with senior engineers and other staff. It may also be that various parts of the organization are treated quite differently from one another. In many firms, decision making concerning suppliers is an area that touches on CSR in many regards, including training, wages, and health and safety protection. It is instructive for the leadership team to review these types of decisions, who makes them and how. It is also important to determine whether there is a unit or process in place to coordinate decisions about issues with a societal dimension.
- ▶ **Activities.** The firm’s activities that relate directly to providing its products or services to users can be closely connected to CSR. In addition to thoroughly examining internal operations for CSR-related challenges and opportunities, it may be useful for the leadership team to examine those of competitors and firms in other sectors. These can be helpful indications of areas in which the firm might wish to concentrate attention. Practical ideas may also be gleaned by examining activities in other jurisdictions, such as the level of security or conflict overseas, since these may be harbingers of challenges or opportunities to come. The team should also consider activities of business partners (particularly supply-chain partners), since these may significantly affect the firm.

## 4. Identify and engage key stakeholders

Although the work of the leadership team should reveal important social responsibility trends, problems and opportunities for the firm to act upon, the team may nevertheless miss important issues that are more evident to those outside the firm. As a result, the team may wish to hold discussions with key external stakeholders about CSR. Mapping the interests and concerns of stakeholders against those of the firm can reveal opportunities and potential problem areas.

It is important to be clear about the purpose of these discussions, since stakeholders might view it as an opportunity to express their views more generally about the company’s behaviour in relation to them. Key to

effectively engaging with stakeholders is to map their definition of “success” in working with the company. Identifying the results from this task (e.g. a summary of the CSR assessment that is publicly available) would be helpful.

Note that while stakeholder engagement is listed here as the last element of a CSR assessment, firms might wish to do this earlier (see Part 3 of this guide).





## Existing CSR tools

### Good Company Guidelines

Canadian Business for Social Responsibility developed the Good Company Guidelines to help firms implement socially and environmentally responsible initiatives. The guidelines offer a disciplined approach to implementing CSR, while helping with the development of benchmarks against which a company can measure CSR performance. The guidelines are a “what to do” not a “how to do” tool, and facilitate quick self-assessment to determine what stage a company has reached in its corporate social responsibility activities. Checklists organized by stakeholder groups provide a snapshot of how deeply a company is engaged in CSR, as measured by the company’s level of engagement (i.e. commitments, policies, programs, evaluation and measurement, stakeholder involvement and accountability). While this tool is not a formal auditing tool that measures the results or success of CSR initiatives, it gives a quick picture of what initiatives are currently under way and where additional efforts are required. It also offers a modified version for small and medium-sized enterprises. For more information, go to [www.cbsr.ca](http://www.cbsr.ca)

### Conflict risk and impact assessment methodology

International Alert has developed the risk and impact assessment methodology “Conflict-Sensitive Business Practice: Guidance for Extractive Industries” funded in part by the Human Security Program at Foreign Affairs Canada. This risk and impact assessment tool presents comprehensive guidance for oil, mining and natural gas companies that are doing business or contemplating doing business in conflict-prone societies. It is designed for field managers working across a range of business activities, as well as headquarters staff involved in political risk assessment, security affairs, external relations and social performance. The guide is available at [www.international-alert.org/publications](http://www.international-alert.org/publications)

### Corporate Responsibility Assessment Tool

Developed by the Conference Board of Canada and Imagine Canada, together with an advisory group of leading Canadian companies, the Corporate Responsibility Assessment Tool provides one-stop shopping for companies interested in CSR assessment. Employees and managers can do an online internal evaluation of the company’s performance in five areas related to corporate responsibility: governance and management practices; human resources management; community involvement and investment; environment, health and safety; and human rights. The information collected shows how the firm’s corporate responsibility practices compare to public expectations of responsible behaviour – where its strengths lie and what areas need improvement. The company can use this information to establish priorities for corporate responsibility and develop a business strategy for integrating corporate responsibility into everyday operations. For more information, go to [www.conferenceboard.ca/GCSR/CR\\_AT](http://www.conferenceboard.ca/GCSR/CR_AT)

### Caux Round Table Self Assessment and Improvement Tool

Founded in 1986, the Caux Round Table is a network of senior business leaders from industrialized and developing nations who recognize that business must take a leadership role in developing a more fair, free and transparent society. In addition to its Principles for Business, the group has developed the Self Assessment and Improvement Tool to help senior executives and boards of directors address growing expectations for responsible business conduct. Modelled after the Malcolm Baldrige National Quality Program, the tool translates seven general principles for business into seven assessment categories, and considers company performance within each from seven perspectives (six stakeholders, plus fundamental duties). For more information, go to [www.cauxroundtable.org/resources.html](http://www.cauxroundtable.org/resources.html)

## CSR AND SMALL BUSINESSES

*“Wow, this seems like too large a task to undertake. We have very limited time and resources in our small office. How can we find all this CSR information and still focus on our day-to-day operations?”*

The small size of operations may make it easier to find information on actual and potential corporate social responsibility activities and impacts. Assign one person to create a checklist (see below), with input from employees, of all the CSR activities and initiatives that the company might put in place, and check off what it is already doing, noting any gaps.

Consider using one of the many existing self-assessment tools and checklists (see page 28). Another good resource is industry associations, which quite frequently take leadership roles on issues such as CSR and may offer assistance with self-assessments. Consider working with a non-profit organization to conduct an eco-audit or hiring a student or consultant.

The main objective is to review current business practices to identify activities that fall under the heading of CSR (e.g. recycling), as well as potential activities (e.g. purchasing products from developing countries where workers are paid living wages or that protect core labour rights). A key resource to draw on in this regard is staff. As the front-line personnel carrying out the functions of the business, employees are often aware of a number of ways in which the firm's activities affect stakeholders, and frequently have suggestions for improvement.

### Sample CSR small business checklist

- ▶ Recycle more waste.
- ▶ Use more energy-efficient appliances or vehicles.
- ▶ Use more local suppliers.
- ▶ Establish customer service standards.
- ▶ Support local community projects.
- ▶ Purchase fair trade products that support workers in developing countries.
- ▶ Provide a safe working environment and educational assistance to employees.
- ▶ Enhance gender equality in the workplace.
- ▶ Be more accessible to customers of various abilities.

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### Small firm adopts informal approach to CSR assessment

2Keys Corporation implements secure communications and related business solutions. With only 16 employees, 2Keys has taken an informal approach to CSR activities.

To do a self-assessment as the initial step towards a more comprehensive and integrated CSR approach, 2Keys opted to use Canadian Business for Social Responsibility's Good Company Guidelines (see page 28). In its assessment, 2Keys looked at both the breadth (the full spectrum of stakeholder groups) and the depth (the continuum of implementation from basic commitment all the way through to measurement, evaluation and full accountability) of its CSR practices.

Despite there being no formal commitments, policies or programs at 2Keys, the self-assessment showed that the firm is currently strong in CSR as it relates to employees, shareholders and customers, and sustainability, but could be doing more in terms of community engagement.



## CSR AND SMALL BUSINESSES

### Practical CSR initiatives for small business

Drawing on experiences of small businesses implementing CSR, here is a list of 36 practical CSR activities a small business can do. These initiatives are likely to be of interest to personnel in larger firms as well.

#### Improving the environment

- ▶ Reduce consumption of energy, water and other natural resources, and emissions of hazardous substances.
- ▶ Use or produce recycled and recyclable materials; increase the durability of products and minimize packaging through effective design (reduce, reuse and recycle).
- ▶ Train staff so that they look for additional ways to reduce the firm's environmental footprint.
- ▶ Offset carbon emissions with equivalent carbon-fixing initiatives, such as tree planting.
- ▶ Join or start a local green business club that can help local firms access conservation grants and expertise for reducing waste, water use and energy.
- ▶ Consider using video-conferencing to meet a potential supplier or customer rather than always physically travelling to meetings.
- ▶ Establish an environmental management system with objectives and procedures for evaluating progress, minimizing negative impacts and transferring good practices.

#### Improving human resource management practices

- ▶ Establish policies to ensure the health and safety of all employees and make the policies known to employees.
- ▶ Involve employees in business decisions that affect them and will improve the work environment.
- ▶ Consult employees on how to handle a downturn in business (e.g. offer the option of all staff taking pay cuts or reduced hours instead of layoffs).
- ▶ When layoffs or closures are unavoidable, offer outplacement services, retraining and severance benefits.
- ▶ Provide training opportunities and mentoring to maximize promotion from within the organization.
- ▶ Extend training to life management, retirement planning and care of dependents.
- ▶ Be open to job splitting, flextime and other work-life balance policies.
- ▶ Share training and human resources programs with other local small businesses.
- ▶ Consider supporting daycare for children or elderly dependants.
- ▶ Encourage a healthy workplace (e.g. implement a smoking ban or drug and alcohol abuse support program).
- ▶ Provide exercise facilities or offer subsidized membership at a local gym.

### **Promoting diversity and human rights**

- ▶ Make sure that all staff know that there are explicit policies against discrimination in hiring, salary, promotion, training or termination of any employee on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion.
- ▶ Do not tolerate jokes or behaviour in the workplace that insult employees on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion.
- ▶ When hiring, think creatively about where to advertise the job and whether there are any local employability schemes (e.g. run by a local council or employer) to help find work for people who are homeless or disabled.
- ▶ Pay comparable wages for comparable work.
- ▶ Support organizations that promote fair trade and human rights compliance.
- ▶ Check where products are manufactured and look into any associated human rights concerns.

### **Helping the community**

- ▶ Encourage employee volunteering in the community and with financial contributions and help in kind.
- ▶ Make some of the business's product or services available free or at cost to charities and community groups.
- ▶ Look for opportunities to make surplus product and redundant equipment available to local schools, charities and community groups.
- ▶ Buy from local suppliers and strive to hire locally.
- ▶ Offer quality work experience for students (job shadowing).
- ▶ Collaborate with local teachers to make the business the subject of a school project.
- ▶ Use the business's experience to help a local school, charity or community group become more efficient and entrepreneurial.
- ▶ Use some of the marketing budget to associate the business or brand with a social cause.

### **In general**

- ▶ Develop new environmental and social products and services; innovation brings competitive advantage.
- ▶ Share CSR lessons learned with business customers, business neighbours and fellow members of a trade association or business organization.
- ▶ Explain the environmental, social and economic performance of the business to stakeholders and consider their ideas and views as the business develops.
- ▶ Commit to an external code or standard or a set of business principles that provides a framework to measure progress on environmental, and social and community issues.

## T A S K 2

# DEVELOP A CSR STRATEGY

## What is a CSR strategy?

The CSR assessment generates a base of information the firm can use to develop a CSR strategy. A CSR strategy is a road map for moving ahead on CSR issues. It sets the firm's direction and scope over the long term with regard to CSR, allowing the firm to be successful by using its resources within its unique environment to meet market needs and fulfil stakeholder expectations. A good CSR strategy identifies the following:

- ▶ overall direction for where the firm wishes to go in its CSR work
- ▶ a basic approach for proceeding
- ▶ specific priority areas
- ▶ immediate next steps.

Different firms may be at different stages of awareness of and work on CSR, which will dictate the contents of the strategy: some may decide to adopt a “minimum necessary” stance. Others may wish to make strategic forays into particular areas.

## Why have a CSR strategy?

There is a well-known expression that if you do not know where you are going, there is very little chance you are ever going to get there. This is as true with respect to CSR as it is with any other business approach. Following a CSR strategy helps to ensure that a firm builds, maintains and continually strengthens its identity and its market.

## How to develop a CSR strategy

The following five steps comprise a suggested way to develop a CSR strategy.

1. Build support with senior management and employees
2. Research what others are doing
3. Prepare a matrix of proposed CSR actions
4. Develop options for proceeding and the business case for them
5. Decide on direction, approach and focus areas



There is no magic to this. The steps could be done in a different order or be called by different names, but taking them all will increase the likelihood of the firm having a systematic and realizable CSR strategy.

It is clear that a CSR strategy is unlikely to succeed when it is not based on a clear understanding of the firm's values, when it fails to take advantage of the ideas of those who might provide assistance, and when it does not approach issues systematically, building on strengths and addressing weaknesses.

## **1. Build support with senior management and employees**

Without the backing of a firm's leadership, CSR strategies have little chance of success.

The first step in developing a CSR strategy is thus for the leadership team to report back to senior management (and, ultimately, the board of directors) about the key findings of the assessment and to gauge interest in moving ahead. Quite likely, the assessment will have indicated that several aspects of current operations are vulnerable to external criticism, or that there appear to be real opportunities for synergies or new products in certain areas. The assessment could also have found that current decision making on CSR issues is uncoordinated or that there is considerable interest in specific CSR issues or pressure from certain key stakeholders in these areas.

It is important for the leadership team to continue to work to build support among employees, given the key role they will ultimately play in CSR implementation. Part 3 on stakeholder engagement provides suggestions on ways to do this.

## **2. Research what others are doing**

Although it is possible for the CSR leadership team, working with other members of the firm, to develop a CSR approach entirely on its own, there is considerable value in drawing on the experience and expertise of others. Three useful sources of information are other firms, industry associations and CSR specialist organizations.

If the leadership team finds that companies (in Canada or elsewhere in the same sector and related sectors) are emphasizing different CSR activities, it could examine the similarities and differences between the company and these firms. Examining the vision, values and policy statements of leading competitors, along with their codes, new CSR-related

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## **Scotiabank's CSR strategy planning process**

Scotiabank launched a six-month, bank-wide project to research CSR in the financial sector and come up with a set of recommendations for how the bank should define CSR and further integrate it into its operations. One of these recommendations resulted in the bank hiring dedicated CSR managers and staff, and deciding to develop a CSR strategic plan. The plan lays out the key CSR issues in the financial sector and sets out an incremental process for addressing them. Taking a strategic approach allowed Scotiabank to dedicate specific resources to CSR, to set well-defined goals and accountabilities, and to implement mechanisms to measure progress.

A key feature of the plan was to set up a mechanism so the CSR agenda could be discussed and moved forward throughout the entire bank. To this end, a CSR working group has been set up, with membership from the various business areas that are directly linked to the key CSR issues for the financial sector. The working group makes recommendations to the senior executive-level CSR advisory board.

In parallel, Scotiabank has incorporated CSR into its overall corporate strategy, including being an employer of choice, maintaining leading corporate governance practices, continually building shareholder value, leading in overall customer satisfaction and being a positive influence in the communities where it operates.

Scotiabank publishes its *Public Accountability Statement/CSR Report* annually in accordance with federal regulations that apply to banks, insurance companies, and trust and loan companies.

product lines or approaches, and any initiatives or programs in which they participate, can be very useful. Assessing the benefits, costs, immediate outcomes, resource implications and changes to current practices necessary for the firm to adopt similar approaches may also provide helpful information.

Industry associations may be well attuned to CSR developments at home and abroad, and may have undertaken CSR-related work or know of others who have. They may also offer opportunities for networking with colleagues.

Another resource to tap into is CSR specialist organizations devoted to promoting and researching CSR activities. In Canada, these bodies include Canadian Business for Social Responsibility, the Conference Board of Canada, Imagine Canada and the Canadian Centre for Ethics and Corporate Policy. These organizations conduct research, hold conferences and workshops, and issue regular newsletters and other publications on CSR issues. There are also useful CSR organizations operating in other countries, such as Business for Social Responsibility, the Fair Labor Association, the Coalition for Environmentally Responsible Economies, and Social Accountability International, all located in the United States, and the



## CSR AND **SMALL** BUSINESSES

*“Our organization is very small and we don’t have many strategies other than growing our business. This process seems too complicated for us.”*

Developing a CSR strategy does not have to be complex. Start by picking one area to focus on based on an easily achievable goal. For example, the firm could decide to start making a difference by putting in place a recycling program, supporting a children’s sports team or having staff volunteer to clean up a park. Record the CSR activities, however small, that have been implemented and build on those successes year after year. The strategy will become apparent from the priorities that emerge and the actions taken.

Add CSR to the firm’s overall organizational goals by building it into the business plan. Ensure management buy-in for CSR. Without the support of senior managers and/or owners it could be difficult to get a CSR strategy off the ground, since other tasks and work duties will often take over.

Small businesses will likely benefit from joining a CSR association or an industry association with a CSR program.

Ethical Trading Initiative, Business in the Community, and International Business Leaders Forum operating in the United Kingdom. Internationally, there is the World Business Council for Sustainable Development. See Appendix 2 for a description of these organizations.

### 3. Prepare a matrix of proposed CSR actions

With this background it should be possible to create a matrix of proposed CSR actions, possibly set out by environmental, social and economic aspects, although there may be some overlap. The leadership team can plot current and possible CSR activities, processes, products and impacts on the matrix, cross-referencing them against the firm’s current activities and structure to see how well they fit.

#### Example of matrix of proposed CSR actions

	Environmental activity		Social activity (e.g. workers, communities)		Economic activity (e.g. quality assurance, customer satisfaction)	
	Current	Proposed	Current	Proposed	Current	Proposed
<b>Processes</b>	Registered to ISO 14001*	Kyoto emission reductions?	Certified to OHSAS 18001*	SA8000* or Fair Labor Association (FLA)	Registered to ISO 9001*	Integrated management systems (IMS)?
<b>Products/ services</b>	Some products use Environmental Choice logo	Could products be certified to Energy Star?	None at present	Possible SA 8000 or FLA product certification	Use of ISO 9001 logo on company letterhead	Keep abreast of ISO work on IMS?
<b>Impacts</b>	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?
<b>Responsibility centre</b>	Environmental Affairs Department		Human Resources Department		Manager, Quality/ Customer Satisfaction	

\* These initiatives are discussed in greater detail in Appendix 4.

### 4. Develop options for proceeding and the business case for them

Two options for proceeding at this point are to take an incremental approach to CSR or to decide on a more comprehensive change in direction. The evolution of the Responsible Care program of the Canadian

## The natural approach to developing a CSR strategy

The Natural Step is a non-profit organization with offices in 12 countries that uses a science-based systems framework to help organizations, individuals and communities take steps towards sustainability. The Natural Step's mission is to catalyze systemic change and make fundamental principles of sustainability easier to understand, and meaningful sustainability initiatives easier to implement.

The Natural Step framework provides a shared mental model, understanding and common language that facilitate co-operation across organizations, disciplines and cultures. The framework encourages dialogue, consensus building and incremental change – key processes of organizational learning – and creates the conditions for significant change to occur. For more information, go to [www.naturalstep.ca](http://www.naturalstep.ca)

Chemical Producers' Association is a good example of the former. This program started with a broad set of principles but now includes detailed codes, conformity assessment, public reporting and involvement of community and non-governmental organization representatives.

On the other hand, firms may decide to change direction more fundamentally with regard to the social and environmental effects of their activities. This was the case with InterFace Flooring, an Atlanta-based carpet manufacturer. The chief executive officer had an epiphany about the firm's environmental practices following a customer query about the firm's environmental policy and after reading a book about the limits of the earth's ecosystem. This stimulated the company to completely overhaul its product line, production methods and sales practices. Today the company is internationally recognized for its use of non-toxic, re-usable materials and its practice of recycling used flooring for new products.

► **Generating ideas.** Whatever approach is adopted, a useful first step is to come up with ways for the firm to integrate CSR into operations. Brainstorming sessions could be held with senior managers, employees, key business partners and others.

Participants must be clear on the need to align any CSR approach with the firm's core business objectives, methods and core competencies. With this understanding made explicit, participants can answer questions such as the following, drawing on some of the preparatory CSR work described earlier.

- What social and environmental activities and initiatives has the firm undertaken already?
- What strengths, weaknesses, opportunities and threats do these present?
- What has the firm learned about and from others that could be helpful?
- What are the firm's CSR goals?
- Where could the firm be in 10 years in terms of CSR activities and outcomes?
- If the firm is to be a CSR leader, what changes to current practices and products would need to take place?
- Are there some CSR activities or initiatives the firm could easily undertake now (sometimes referred to as "low hanging fruit")?
- Are there areas in which CSR changes would have a particularly big impact on the firm and others? What are they and what are the likely impacts?



### Make sure to do this

Ensure management buy-in for CSR – perhaps by first encouraging increased contact between managers and their stakeholders. Without the support of senior managers, it could be difficult to get a CSR strategy off the ground, since other tasks and work duties will often take over.

- ▶ Can the proposed CSR changes be organized into short-, medium- and long-term deliverables?
- ▶ What are the resource implications of these deliverables?
- ▶ Are there any changes to the firm's structure that would need to occur to implement any of the deliverables?
- ▶ Are there any other obstacles or impediments (e.g. inadequate training or equipment or inappropriate incentives structures) that might stand in the way of taking a more systematic approach to implementing CSR? If so, what are they?
- ▶ Are there opportunities for cost reductions?
- ▶ What are the potential risks of failing to take into account the broader environmental, social and economic aspects of a business's activities?
- ▶ What should be the priorities for action if the organization decides to do more?

In addition to stimulating new ideas, such brainstorming sessions can also generate excitement and build awareness about CSR activity within the firm. Informal networking can also be a useful way to see whether the firm is on the right track.

Depending on resources, there may be value in drawing on the services of professional facilitators for these sessions. As neutral parties, facilitators may be able to elicit involvement from individuals who might otherwise not put forward their ideas.

- ▶ **Building the business case.** The CSR leadership team can draw on the material generated by the assessment, its research into what others are doing, and the brainstorming sessions to devise a business case for the potential initiatives that show the most promise. The business case should focus on a number of elements, in light of the firm's business objectives, methods and core competencies:
  - ▶ possible leverage points (on which particularly large CSR gains can be made)
  - ▶ areas in which a firm could potentially gain a competitive advantage
  - ▶ areas in which stakeholders might have particular influence
  - ▶ short- and long-term goals
  - ▶ estimated costs of implementing each option (including that of not doing more on CSR)
  - ▶ anticipated benefits
  - ▶ opportunities for cost reductions
  - ▶ broader changes the firm would need to make



### Quick tips

- ▶ Determine your priorities before developing your strategy. Priorities will guide the overall strategy.
- ▶ Join an association with a CSR focus. There are a number of associations that offer assistance with developing a CSR strategy or can make a referral.



### Reality check

*"I can see the CSR leadership team and even our executive team getting excited about developing a strategy of this nature. What I can't see is our over-extended middle-management group getting excited about it. In fact, I can see them pushing back, challenging its importance and relevance."*

That is why it is so important to invest time in developing a business case for CSR. Use the same systems and formats as for justifying a reallocation of funding to a new initiative, engaging the finance team in the process. Demonstrating how the CSR plan supports existing business objectives is an integral part of building support at the middle management level.

- ▶ any risks or threats each option poses
- ▶ implications of each option for new developments.

## 5. Decide on direction, approach and focus areas

The CSR leadership team should now have the information it needs to ask senior management for an informed decision on how the firm should proceed. Of immediate importance is determining the firm's general direction, approach and focus areas with regard to CSR, as described below.

- ▶ *Direction.* This is the overall course the firm could pursue or the main area it is aiming to address. For example, an apparel company could decide to emphasize worker health and safety. A forestry company might decide that environmental issues associated with harvesting would be the nucleus of its activities. A mining company operating in the North could choose improving relations with surrounding communities as its chief concern. A high technology company might decide that anti-bribery measures are a target area.
- ▶ *Approach.* This refers to how a firm plans to move in the direction identified. For example, a firm might decide to first revise its mission, vision, and values and ethics statements, next put a new code of conduct in place, then communicate with and train employees and, finally, address issues with contractors.
- ▶ *Focus areas.* These should align most clearly with the business objectives of the firm and, hence, are immediate priorities. The focus areas may be identified gaps in the firm's processes, may attempt to capitalize on a new opportunity or may address needs of certain key stakeholders. For example, a financial institution could identify new protections for clients' personal information, while a food retailer might decide to focus on combatting obesity as an immediate objective.

Often, decisions of this nature will necessitate setting priorities. The size of the problem and its seriousness, the estimated effectiveness of possible solutions and the ease of implementation are key factors to take into account when prioritizing. Also important are the financial and human resources needed to implement the changes, legal and customer requirements, and the speed with which decisions can be implemented.

Because many CSR initiatives have resource implications, they should be reviewed with rigour and substance, similar to how normal financial and investment decisions are reviewed. A casual approach could jeopardize the credibility of the CSR initiatives as well as related corporate business prospects.



## T A S K 3

**DEVELOP CSR COMMITMENTS****What are CSR commitments?**

CSR commitments are instruments a firm develops or signs on to that indicate what the firm intends to do to address its social and environmental impacts. CSR commitments flow from the CSR assessment and strategy and are developed at the point when a firm moves from planning to doing.

- ▶ They are key to ensuring that the firm's corporate culture is congruent with CSR values.
- ▶ They align and are integrated with the firm's business strategy, objectives and overall goals.
- ▶ They provide clear guidance to employees and others about how they should conduct themselves.
- ▶ They accurately communicate the firm's CSR approach to business partners, suppliers, communities, governments, the general public and others.

Before developing CSR commitments, firms must understand the range of available commitments and the distinctions between them. A key distinction is between *aspirational* and *prescriptive* commitments. Aspirational commitments tend to articulate the long-term goals of a firm and are usually written in general language, while prescriptive commitments, such as codes of conduct, stipulate more specific behaviours that the firm explicitly agrees to comply with.

Aspirational commitments often take the form of vision, mission, values and ethics statements, or charters. In many circumstances, firms may already have aspirational and prescriptive commitments in place that can be adjusted to fully integrate CSR. Aspirational commitments form the backdrop for specific and prescriptive codes of conduct and standards, which are usually designed to benchmark or to directly control behaviour.

**Aspirational commitments**

The main objective of aspirational commitments is to articulate a high level and common understanding of what a firm stands for and how it would like



to be regarded. For CSR to be truly integrated into values, decision making and activities, a firm's aspirational commitments must fully reflect its social and environmental positions.

In the absence of CSR aspirational commitments, there is a risk that various parts of the organization will embark on CSR implementation activities at cross-purposes. The likelihood is reduced when work begins with a shared view of what the firm stands for and where it is heading.

The text at the right gives examples of aspirational commitments Canadian firms have developed.

### **Prescriptive commitments**

Prescriptive commitments – typically taking the form of codes of conduct and standards – set out specific behaviour changes for which a firm agrees to strive. A firm may choose to develop its own code of conduct (see text about Alcan's code of conduct, next page) or to sign on to an existing code or standard developed by a third party. See Appendices 3 and 4 for a description of some of the key existing CSR initiatives, codes and standards.

A main advantage for a firm developing its own code of conduct is that the code can be tailored to reflect the firm's circumstances. On the other hand, developing a code of conduct can be a lengthy and expensive process, and the end product may not have the credibility of a third-party code. In one sense, firms that agree to comply with third-party codes and standards can “piggy back” on the extensive consultation and development process such initiatives require, and their higher profile.

There are many third-party, CSR-related codes and standards with which Canadian firms may choose to comply. Non-governmental organizations frequently play lead roles in developing these codes and standards and in ensuring that they undergo multi-stakeholder consultations. Codes and standards are often linked to third-party verification or certification labelling programs. A 2004 GlobeScan poll produced for Environment Canada indicated that 4 out of 10 Canadians look for such labels as a way to identify good CSR behaviour.

When considering subscribing to existing codes and standards, firms must recognize the significant risks they would face should they “sign on” and then fail to live up to the obligations set out in the codes. Careful examination of the codes' terms at the outset – to make sure they are compatible with the firm's mission, culture and activities – can reduce the likelihood of later programs failing; there is often a significant investment necessary for firms to “get up to code.”

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## **Canadian examples of CSR aspirational commitments**

### **Suncor's Long-term Vision**

Suncor sets itself apart from the competition through a production strategy that is tightly focused on the huge resources of the Athabasca oil sands, combined with a broad vision of sustainability that recognizes the importance of social and environmental performance in our business.

Together, these attributes help define a long-term vision of increasing shareholder value, reducing our environmental footprint and contributing to the well-being of the communities in which we operate.

### **Mountain Equipment Co-op's Vision and Mission**

**OUR VISION:** Mountain Equipment Co-op is an innovative, thriving co-operative that inspires excellence in products and services, passion for wilderness experiences, leadership for a just world, and action for a healthy planet. Our vision is our picture of the future and outlines where we want to go.

**OUR MISSION:** Mountain Equipment Co-op (MEC) provides quality products and services for self-propelled wilderness-oriented recreation, such as hiking and mountaineering, at the lowest reasonable price in an informative, respectful manner. We are a member-owned co-operative striving for social and environmental leadership. Our mission tells us what businesses we are in, who we serve, and how. It represents the fundamental reason for MEC's existence.

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### Alcan Inc.'s code of conduct

In 2002, Alcan Inc. published a revised version of its Worldwide Code of Employee and Business Conduct, with which all employees, consultants and suppliers are expected to comply. Employees found to be non-compliant may be subject to disciplinary action, while non-compliant consultants and suppliers may no longer be hired. The code covers human rights, the environment, health and safety, competition, improper payments, workplace harassment, and shareholder, media and community relations.

A set of shared values supplements the code, highlighting the importance of integrity, accountability and transparency (Alcan defines each of these). The values are intended to reflect and foster an environment within which all employees can seek their full potential. For more information, go to [www.alcan.com](http://www.alcan.com)

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### CSR commitments help diverse corporate cultures come together

Two leading North American oil and gas explorers and producers merged in 2002 to create EnCana. The company is now one of the world's largest independent oil and gas companies.

EnCana's two founding companies had strong and diverse corporate cultures, so the new firm needed its own clear and cohesive CSR commitments. EnCana also had to adopt an organization-wide standard to achieve its goal of being a CSR leader. To define CSR at EnCana, the company decided to focus on eight areas that reflect existing and emerging CSR benchmarks and are in line with the values and principles embodied in the company's constitution. The EnCana CSR commitments focus on leadership, sustainable value creation, governance and business practices, human rights, labour practices, the environment, health and safety, stakeholder engagement, and socio-economic and community development.

For more information, go to [www.encana.com](http://www.encana.com)

## Why have CSR commitments?

As noted in Part 1, customers, communities, business partners, investors, non-governmental organizations and others are increasingly asking firms to explain what it is they are doing to address their societal and environmental impacts. CSR commitments communicate the nature and direction of the firm's social and environmental activities and, so, help others understand how the firm is likely to behave in a particular situation.

The commitments are a vital component of any firm's efforts to be transparent and accountable. CSR commitments create the baselines against which behaviour may be subsequently measured. When properly implemented, CSR commitments can increase the likelihood that a firm will appropriately respond to an opportunity and decrease the probability it will engage in problematic conduct.

CSR commitments make it clear to parties what it is they can expect from a firm. By articulating these expectations up front, the firm decreases the potential for misunderstandings to arise later on. In this sense, CSR commitments can improve the quality of the involvement the firm has with parties with whom it interacts. In some cases, in fact, parties will only agree to engage with firms that have clearly stated their CSR commitments. Properly implemented CSR commitments can increase the likelihood of a firm being considered duly diligent and decrease the chances of it being deemed a substandard CSR performer.

Another benefit of CSR commitments is that they can play a key role in integrating diverse organizations (see text, left).

## How to develop CSR commitments

Here is one way of developing CSR commitments, but there are many others, since commitments deal with so many subjects and take so many forms.

1. Do a scan of CSR commitments
2. Hold discussions with major stakeholders
3. Create a working group to develop the commitments
4. Prepare a preliminary draft
5. Consult with affected stakeholders
6. Revise and publish the commitments

The process of developing the CSR commitments should recognize that considerable potential exists for misunderstandings and miscommunication about expectations. These can challenge a successful outcome. There will be a need to be pragmatic and focused.

## **1. Do a scan of CSR commitments**

Before developing CSR commitments or agreeing to adhere to third-party CSR codes or standards, it is useful to examine the CSR commitment instruments others are using, particularly leading firms. Firms should also research CSR instruments developed by intergovernmental bodies such as the United Nations, the International Labour Organization and the Organisation for Economic Co-operation and Development. Because governments have developed these instruments in conjunction with other parties, they have credibility and are good guides to what are considered to be acceptable and unacceptable behaviours (see pages 47–48 and Appendix 3, “Key international CSR instruments,” for more information). Finally, a review of available third-party codes and standards (such as those in Appendix 4) should be undertaken.

When considering the CSR commitment instruments of others, it is useful to ask questions, such as the following.

- ▶ What people and organizations were involved in developing these commitments? Would these be the same people and organizations who would need to be involved in the firm’s own CSR commitments?
- ▶ What are the objectives underlying development of these CSR commitments? Are those objectives the same as or different from those underlying the firm’s CSR objectives?
- ▶ Can a particular CSR issue identified by the firm be resolved or addressed through use of these or similar CSR commitments? What



## **CSR AND SMALL BUSINESSES**

*“How can we create commitments in a few simple steps?”*

Focus on creating a vision, mission and statement of values for the firm. The vision should explicitly include CSR as one of its core elements. This vision will inform the mission statement and statement of values.

To ensure buy-in from employees, include them in the process of developing the vision and values. Hold a contest for the best suggestions, encouraging employees to put some thought into their submissions.



## Make sure to do this

Ensure consistent integration of CSR into the organization's mission statement, statement of values, and codes of ethics and conduct.

are the potential costs, drawbacks and benefits of the various types of commitments?

- ▶ What is the applicability or suitability of these commitments to the organization in light of its scope of activities and geographic range of operations? Will the company benefit from the commitments and how?

## 2. Hold discussions with major stakeholders

Developing CSR commitments or agreeing to comply with existing codes and standards presents the firm with an opportunity to generate organizational interest in CSR and build agreement about how codes and standards apply to the firm. From that agreement, the firm can develop more practical steps towards implementation.

To begin with, it is critical that the board and top management be firmly behind a company's CSR commitments. Without such support, there is very little likelihood that subsequent CSR activities will effectively take place. Spending time at the outset "getting the CSR commitments right" in the eyes of board members and top management is time well spent.

Similarly, early and meaningful input from and support by the firm's personnel is very important. Employees possess front-line knowledge of the problems the organization faces and ultimately will play a critical role in implementation. For example, if a firm's code on bribery and corruption were developed without the viewpoints of sales personnel, it would not likely reflect operating reality and would be rejected at the outset.

There may also be value in having informal initial discussions with business partners, supply chain members and other contractors. The objective of these discussions would be to sound these parties out about which commitments to choose and to identify partners willing to help develop them. When the commitments apply to these parties, their involvement and agreement to comply with the terms of the commitments are crucial.

It can also be useful to reach beyond those with whom the firm has contractual relations to more broadly affected groups, such as consumer, labour and environmental organizations, community groups and governments. This can help to confirm initial perceptions of their interests and concerns, and could result in additional people and organizations helping develop the commitments. Focus groups, comprising like-minded peers or a broad cross-section of interests, can also be useful for testing new ideas.



## Quick tips

- ▶ To ensure employee buy-in, include employees in the process of developing the vision and values. To spark the process, create a CSR working group or hold a contest for the best suggestions, encouraging employees and their representatives to put some thought into their submissions.
- ▶ Host a visioning session and ask participants to think about what the firm could look like in the future as a CSR leader.
- ▶ Review the CSR priorities to determine which codes of ethics or conduct fit best with the firm's goals.

### 3. Create a working group to develop the commitments

The working group should be a cross-section of the organization, from board members to senior management and front-line employees, and could include people who are very enthusiastic about CSR as well as those who are skeptical to give voice to differing opinions on the issues at hand. Contractors and others to whom the commitments apply should also be involved.

Having the right people in the group is essential. They must be dependable, credible and knowledgeable, and have the necessary time and resources to commit to the work involved.

Frank discussion should take place at the outset about the group's objectives, members' responsibilities, anticipated workload and outcomes, and the ground rules about how the group will operate. Regular two-way communication between the working group and the firm as a whole may also be useful.

### 4. Prepare a preliminary draft

CSR commitments should be plain-language statements and should contain clear and concise obligations.

It is recommended that working group members identify who within the organization will be responsible for implementing the commitments and involve them in preparing the draft.

Firms would also be well advised to use existing commitment documents (such as those described in step 1) as base documents when preparing their own.

### 5. Consult with affected stakeholders

Thorough consultations at the outset can prevent problems later. One good approach is to start with the people most likely to be directly affected by the CSR commitments and who are already aware of the associated issues. Next, the working group could have more formal discussions with groups and people who may not be aware of the CSR initiative.

A consultation plan can be useful. It should include roles for high-profile officials within the firm who have good communication skills and can clearly explain the CSR commitments and receive feedback. This feedback should go to the working group, who will discuss how and to what extent the final draft will reflect the comments.



## Reality check

*“Yet another code. And there is already so much criticism that codes without an accountability element are for the most part ineffective. There are more than 250 CSR-related codes and standards in existence. How are we supposed to navigate this landscape and choose something that works for us? How do we know that a newer and better code won't be introduced next year?”*

The proliferation of CSR-related codes and standards is a good indication of how new this field is and how much development work is under way. It is also a sign that CSR is not going away anytime soon. It is best to begin by designating a staff person to keep abreast of the relevant intergovernmental commitments and non-governmental or private sector codes. One strategy for addressing the proliferation of CSR instruments is to sign on to or adapt an existing instrument that is considered credible and effective in the eyes of your firm's affected stakeholders, and that offers an opportunity to participate in any revisions that may occur. That way, the firm is well positioned in the short run to demonstrate the benefits to its key stakeholders that flow from meeting the terms of the instrument, while at the same time being well placed to influence future revisions based on its own experience.

## **6. Revise and publish the commitments**

Drawing on the input from the consultations, the working group can finalize commitments to be published and shared with all employees as part of implementation. TeckCominco prints its commitments on business cards, which it gives to all employees.



## **Key international CSR initiatives of governmental or inter-governmental bodies**

### **United Nations Global Compact**

The United Nations Global Compact, which was developed in 1999–2000 as an initiative of United Nations Secretary-General Kofi Annan, calls on the private sector to embrace, support and enact a core set of values pertaining to human rights, labour, the environment, anti-competition and anti-corruption through 10 basic principles. The Compact promotes good corporate practices but does not endorse individual companies. Several Canadian companies have become signatories. For more information, go to [www.unglobalcompact.org](http://www.unglobalcompact.org)

### **OECD Guidelines for Multinational Enterprises**

In June 2000, the Organisation for Economic Co-operation and Development passed its revised Guidelines for Multinational Enterprises. The guidelines are voluntary principles and standards for responsible business conduct consistent with applicable laws. Provisions in the guidelines pertain to such issues as disclosure, employment and industrial relations, human rights, the environment, anti-bribery measures and consumer interests. The Government of Canada and 38 other governments have endorsed the revised guidelines. Canada has established a national contact point to promote the guidelines and to help resolve problems that may arise as they are implemented. For more information, go to [www.ncp-pcn.gc.ca](http://www.ncp-pcn.gc.ca)

### **International Labour Organization commitments**

The International Labour Organization (ILO) is a United Nations organization comprising governments, and employers' and workers' organizations. The ILO has given special attention to multinational enterprises by adopting the 1977 Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (recently revised). This is a global commitment designed to guide governments, employers and workers in areas of employment, training, working conditions and industrial relations. The ILO has also adopted international labour conventions and the Declaration on Fundamental Principles and Rights at Work. For more information on ILO commitments, go to [www.ilo.org](http://www.ilo.org)

### **International Finance Corporation/World Bank Equator Principles**

The International Finance Corporation is a member of the World Bank. The World Bank was created at the end of World War II by a cross-section of national governments. The Equator Principles were first conceived in 2002, and create a voluntary set of environmental and social principles for banks to manage financing. For more information, go to [www.equator-principles.com](http://www.equator-principles.com)

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## Key international CSR initiatives of governmental or inter-governmental bodies

### CSR and human rights

#### Voluntary Principles on Security and Human Rights

The Voluntary Principles on Security and Human Rights set out standards of behaviour for resource extraction companies operating in conflict zones. These principles are designed to help companies ensure security in ways that also promote and protect human rights. The principles were developed in 1999 and 2000 through consultations between the U.K. and U.S. governments, companies and non-governmental organizations, and were jointly launched in December 2000 by the Foreign and Commonwealth Office and the U.S. State Department. The governments of the Netherlands and Norway and a growing number of companies and non-governmental organizations have subsequently signed on. For more information, go to [www.state.gov/www/global/human\\_rights/001220\\_fsdr1\\_principles.html](http://www.state.gov/www/global/human_rights/001220_fsdr1_principles.html)

#### United Nations human rights instruments

While the primary responsibility for the promotion and protection of human rights rests with states, there is growing recognition of the role that the private sector and other actors can play in avoiding any involvement in human rights violations and more widely promoting respect for human rights. Most multilaterally endorsed CSR initiatives include a human rights component based in part on key United Nations human rights instruments such as the Universal Declaration of Human Rights. For the most part, however, the human rights sections of existing mechanisms are not as well developed as other aspects of CSR. In an effort to better understand the relationship between business and human rights, Harvard Professor John Ruggie was appointed in July 2005 as Special Representative to the United Nations Secretary-General to look at the issue of human rights and transnational corporations and other business enterprises. The mandate calls for the Special Representative “to identify and clarify standards of corporate responsibility and accountability for transnational corporations and other business enterprises with regard to human rights.” For more information, go to [www.ohchr.org](http://www.ohchr.org)

See also the information on page 86 about the Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights.



## T A S K 4

# IMPLEMENT CSR COMMITMENTS

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## What is CSR commitment implementation?

Implementation refers to the day-to-day decisions, processes, practices and activities that ensure the firm meets the spirit and letter of its CSR commitments and thereby carries out its CSR strategy. If CSR commitments can be called “talking the talk,” then implementation is “walking the talk.”

## Why does CSR commitment implementation matter?

As all businesses know, living up to promises is essential to success. Failing to meet CSR commitments, in the absence of satisfactory explanations, can lead to problems for a firm, including disgruntled employees, shareholders, business partners, customers, communities and others. A firm that effectively implements its commitments is not only less likely to run into problems, but may be more favourably looked upon when problems do arise than a firm that continually fails to meet its obligations.

## How to implement CSR commitments

Every firm is different and will approach CSR implementation in different ways. The steps suggested below show one way to implement CSR commitments.

1. Develop an integrated CSR decision-making structure
2. Prepare and implement a CSR business plan
3. Set measurable targets and identify performance measures
4. Engage employees and others to whom CSR commitments apply
5. Design and conduct CSR training
6. Establish mechanisms for addressing problematic behaviour
7. Create internal and external communications plans

### 1. Develop an integrated CSR decision-making structure

Although every firm is different, each has a decision-making structure in place to ensure that it can meet its commitments and customer needs. The key question to ask here is, “Given the firm’s existing mission, size, sector,

culture, way of organizing its affairs, operations and risk areas – and given its CSR strategy and commitments – what is the most effective and efficient CSR decision-making structure to put in place?”

It is essential that the firm align its CSR goals and decision making with its overall goals and strategies, so that taking CSR considerations into account in corporate decision making becomes as natural as taking customer perspectives into account. Some firms will prefer a centralized CSR decision-making structure, others a de-centralized one, while still others will want a hybrid, depending on their operating features and management style. There is no single way of organizing a firm’s CSR decision making.

This guide emphasizes the importance of senior management buy-in from preliminary CSR assessment to strategy and commitment development. It is not likely, therefore, to be difficult to identify people or committees at the top levels of the firm who will assume key CSR decision-making responsibilities.

Given that CSR is fundamentally concerned with transparency, accountability and performance, it is important for the CSR decision-making structure to be an integral component of the firm’s governance activities and to be visible. It should also be accountable throughout the organization, from the board, executive and senior levels, supported by coordinated cross-functional decision making and specialized staff expertise. It is important to develop the CSR decision-making structure with a view to the appropriate level of internal and external verification that will be needed.

Assigning CSR responsibilities to board members ensures that CSR issues will receive the attention they deserve, and as a result forms a strong basis for an effective chain of CSR accountability within the organization – all of which supports the board’s corporate governance function. There are several options for board participation: a sitting board member could be tasked with broad responsibility for CSR activities; a new member who has specific CSR expertise could be appointed; CSR responsibilities could be added to the work of existing board committees; a new CSR board committee could be formed; or the entire board could be involved in CSR decisions.

A senior official or committee responsible for overall CSR implementation within the firm should be identified and given the resources to do the job. Particular departments having CSR responsibilities (e.g. environmental, health and safety protection, worker relations, supplier relations, community relations, customer relations) will likely report to the senior official or committee. CSR responsibilities should be built into employees’ job descriptions and performance evaluations.

## **2. Prepare and implement a CSR business plan**

The decision-making structure identifies who is responsible for CSR decision making and action within the firm. These people play key roles in developing and implementing the CSR business plan, which should flow from the CSR strategy and commitments. The CSR business plan may be separately described or included as part of the company's existing overall business plan. With the strategy, commitments and decision-making structures in place, the CSR business plan helps ensure that the words are transformed into effective action. An excellent way of doing this is to determine what human, financial and other resources and activities will be required to carry out the CSR strategy and commitments.

For example, a CSR commitment may be that the firm will not offer improper payments to officials. The first step to implement that commitment might be to create a training course on the distinction between proper and improper payments, with an online version that includes frequently asked questions. A second step might be to review the organization's incentive and disincentive structure (e.g. commissions) to ensure it does not indirectly encourage improper behaviour. A third step might involve setting up a hotline, while a fourth could be creating whistle-blower protection measures. In the CSR business plan, each of these tasks could be further broken down into smaller components, with time lines and resource requirements for each. These obligations should be built into the job description and performance objectives of each lead person.

## **3. Set measurable targets and identify performance measures**

To ensure effective implementation, a firm needs to set measurable targets for the commitments. In this regard, firms behave no differently from individuals. Athletes may set personal goals, such as "win an Olympic medal," but they frequently set more achievable, intermediate targets such as "run the 100 m dash in less than x seconds," "reduce my weight to x kilograms" and "be in the top five at the elimination trials next November." In essence, these intermediate targets are guideposts along the way to the ultimate goal, providing a gauge of progress and an opportunity for re-evaluation should adjustment in approach, training or resources be necessary. When achieved, targets may also be a source of celebration in their own right. In this sense, they can help build momentum.

A firm's approach to setting measurable environmental, economic and social targets and tracking success in meeting them is fundamentally no

different from the athlete's approach to winning an Olympic medal. A widely used approach to measuring success is to identify the objectives underlying a CSR commitment, develop key performance indicators, work out the measurement method and then measure the results. Regardless of the exact approach taken, it should follow the SMART guidelines:

- S Simple
- M Measurable
- A Achievable
- R Reliable
- T Time-bound

Here is an example. Underlying a commitment to decrease the amount of waste a facility generates, there might be an objective to reduce solid waste by 25 percent by the end of the calendar year. The key performance indicator would be the amount of waste sent to the landfill. The measurement method might be the kilograms of garbage produced each month, which would be recorded.

To take another example, a commitment to improve relations with the community might be translated into objectives to double the number of town hall meetings the company holds and reduce the number of complaints by half. The key performance indicators underlying this commitment and objectives might be the number of town hall meetings and the number of complaints at the end of the year. The measurement method might be quarterly tallying of meetings and complaints, which would be recorded.

In both cases, regular review of the commitments, objectives, indicators and measurement methods might lead the firm to modify its objectives. In the second example above, the firm might conclude that increasing the numbers of town hall meetings did not improve community relations, since underlying problems were not also addressed. As a result, a better objective might be increasing the number of resolved complaints.

Note: There may be occasions when measurable targets may not be possible to develop. In such situations, a qualitative target may be used as a second-best option. One credible method for measuring whether a firm is meeting qualitative targets is by obtaining feedback on their effectiveness from a variety of stakeholders.

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### Canadian firm sets CSR targets

TELUS has set a target to reduce energy consumption per unit of revenue generated by 10 percent by 2007. TELUS has also set a 2005 target to reduce the number of chemicals it uses by 50 percent from 2000 levels.



## CSR AND SMALL BUSINESSES

*“As a small organization, we have very few staff to devote to CSR. How can we get started on CSR and avoid overwhelming our employees?”*

Implementing the CSR strategy and commitments is all about translating talk into action – integrating the firm’s CSR strategy and commitments into the daily routine. But with limited time and resources, it doesn’t always make sense for a small business to hire CSR staff, nor for it to put too much CSR work on one employee’s plate.

Small firms also often face challenges (as do large firms) when they identify too many elements of CSR as being relevant to the company. The result may be that employees given responsibility for CSR are overwhelmed and do nothing, or become over-enthusiastic and bite off more than they can chew. To avoid overwhelming staff, take small steps: choose just one initiative and set targets for it the first year. If that goes well, add another, and so on.

Ensure that the employees understand the CSR strategy and commitments and support the initiatives. Without the support of employees the implementation plan will likely be significantly delayed and may consequently not succeed. Here are some ideas for engaging employees in the process:

- ▶ identify CSR champions to help implement the CSR plan
- ▶ tie the success of CSR initiatives to performance, allocating budgets to these activities
- ▶ incorporate CSR performance indicators into the business plan
- ▶ inspire and educate employees: by reaching people on a personal level, they are more likely to take on the challenge of CSR
- ▶ celebrate CSR achievements, motivating the team and building enthusiasm and pride.

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### **Falconbridge acts on CSR suggestion from employees**

In 1995, the employees at Falconbridge's Dominican Republic operation, Falcondo, decided that the surrounding communities needed a continuous and reliable supply of potable water. After much research and planning with the local people, it was decided to develop aqueducts that would collect water from mountain springs in concrete reservoirs. Falcondo provided the materials for the construction and the local people did the building after receiving the necessary training for construction, operation and maintenance from a local non-governmental organization. Since then, Falcondo has helped complete aqueducts for four neighbouring communities.

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### **Suncor engaging employees in its CSR initiatives**

Suncor Energy Inc. is a publicly traded Canadian energy company active in Canada's Athabasca oil sands. Suncor has made it a priority to seriously consider in its business practices the interests of its stakeholders, particularly those of its employees. The firm's initial focus was the top 40 people with the most power and influence within the company. Suncor stimulated the imagination and passion of its staff by introducing the concepts of CSR and sustainability at the senior levels of the organization and encouraging these executives to engage in and commit to looking at them thoroughly and strategically. As a result of successfully getting buy-in from its employees, Suncor has undertaken innovative and creative practices, such as supporting Aboriginal business development, holding solar car washes and building wind farms.

## **4. Engage employees and others to whom CSR commitments apply**

Following the approach set out in this guide, the input of employees and other key stakeholders has been solicited at every stage, from preliminary assessment, through strategy development and articulation of commitments. Employees play a central role in CSR implementation.

While overall CSR success depends first on senior leadership, ultimately, CSR implementation largely rests in the hands of employees and, in some cases, suppliers. In a sense, these parties are often a firm's human face (not to mention arms and legs), capable of acting as ambassadors, advocates and sources of new ideas and information on CSR.

On the other hand, if not properly engaged, employees and suppliers could be a source of problems for all concerned. Therefore, it is vitally important that there be good communication between top management and employees, employee representatives and suppliers about CSR strategy and commitment implementation. As well, all parties must be fully on side and enthusiastic about implementing a firm's CSR commitments. This will happen when they believe that senior management is serious about CSR and acts in a manner that reflects the spirit of the commitments. Nothing will dissolve a firm's progress faster than a CSR approach that is perceived as being just "hot air."

Engaging employees, employee representatives and suppliers in implementation means focusing on awareness (employees will be well aware of CSR directions, strategies and commitments from earlier activities, but suppliers may be less so). Employees and suppliers should receive context for and background on the firm's approach to CSR, including the motivation for engaging in it, why the approach was adopted, its relevance to the organization, how it fits with existing firm objectives, how it changes current approaches, and other implications.

Involving employees, employee representatives and suppliers in discussions of how CSR commitments are implemented is a way for these stakeholders to develop a sense of ownership of and pride in the firm's CSR activities. To the extent possible, bringing in a CSR champion to help to convey the message is important, since he or she is in the best position to understand the big picture and answer questions. As well, the champion is likely to convey enthusiasm and credibility; the involvement of a senior official signifies the importance with which the firm treats the issue.

Employee support for CSR implementation can be maintained in a number of ways:

- ▶ incorporating CSR performance elements into job descriptions and performance evaluations
- ▶ providing regular updates on progress (in meetings or the company newsletter)
- ▶ developing incentives (such as rewards for best suggestions)
- ▶ removing or reducing disincentives (e.g. competing interests such as premature deadlines that encourage employees to choose non-CSR options).

## 5. Design and conduct CSR training

Firms need to train employees directly involved in CSR activities. This is an ongoing commitment, since training needs will change as the CSR issues evolve. A comprehensive approach to training, such as the one taken by IKEA (see text, right), will ensure employees have information on the firm's CSR commitments, programs and implementation. When the firm's employees speak various languages, training modules must be offered in those languages and must consider the employees' cultural orientation. This is particularly true when training employees in various parts of the world. Literacy levels may also need to be assessed.

Studies suggest that the most successful training addresses knowledge, skills and attitudes, and is based on "adult learning" approaches, whereby the learner has input into the development of the learning process. There are five steps to establishing a successful training program:

- ▶ conducting a needs analysis
- ▶ setting learning objectives
- ▶ designing the program (i.e. content, format, logistics, timing, duration)
- ▶ implementing the program
- ▶ evaluating the program against the learning objectives.

## 6. Establish mechanisms for addressing problematic behaviour

The very fate of employees, communities, the environment and firms can depend upon early detection of activity that is contrary to CSR principles and commitments. Auditing and monitoring can only go so far in this regard. For this reason, it is important for firms to put in place mechanisms and processes that will allow for early detection, reporting and resolution of problematic activity.

This is probably one of the most sensitive of CSR activities. In a perfect world, there would be no need to develop mechanisms for reporting problematic behaviour. However, people and organizations are fallible. In the best-managed organizations, there should be no fear of reprisals when

## Comprehensive CSR training at IKEA

With 76 000 employees in 43 countries, IKEA has developed effective strategies for operationalizing CSR. IKEA's Co-worker Environment and Social Responsibility Training program was created in response to the company's first environmental action plan, launched in 1992. The training covers IKEA's worldwide environmental and social policies, programs, goals and performance, and all aspects of business operations, such as suppliers, transportation waste management, CO<sub>2</sub> emissions, product design and packaging. The program is also designed to show employees how they can help the company achieve its goals in these areas. To facilitate implementation, interactive training is offered in seven languages and is available in classroom and online formats, allowing it to be easily updated. The program is implemented in each business unit by the firm's human resources department and the unit's environmental coordinator. The program has been well received by employees and has received consistent, top-management support.



### Quick tips

- ▶ Identify the CSR chain of accountability through the firm.
- ▶ Allocate sufficient resources to ensure that CSR responsibilities can be effectively carried out.
- ▶ Incorporate CSR key performance indicators into the business plan.
- ▶ Inspire and educate. By reaching people on a personal level, they are more likely to take on the challenge of CSR.
- ▶ Display CSR commitments on the firm's website. This is one of the quickest and easiest sources of company information.
- ▶ Celebrate CSR achievements, motivating the team and building enthusiasm and pride.



## Make sure to do this

Include CSR-related goals in the job descriptions of officials, from board members through top management, middle management and front-line employees, and tie the success of CSR initiatives to performance plans and bonuses.



## Reality check

*“This step makes sense to me, but I really can’t see us changing our corporate structure or creating any more staff positions just to work on CSR. We’re in efficiency mode and we’re downsizing right now. Nobody is getting any new staff. Without the staff, how can we implement CSR?”*

Most companies begin by layering CSR into an existing position or portfolio of responsibilities. Most typically, CSR gets directed to senior public affairs, communications or marketing staff. In other instances, it is placed in the human resources, government affairs, environment, health and safety or legal departments. This is a good start, but in most cases this approach becomes unsustainable unless there is strong senior management support, and resources are allocated accordingly. If business conditions were to become worse, people would default to their core responsibilities and CSR would likely drop off the radar screen. One innovative approach is to make the CSR group self-sustaining, focusing on cost-saving or revenue-enhancing initiatives (such as energy savings, waste reduction, employee and customer loyalty programs, and new CSR-related product lines), thus helping to ensure that CSR activities contribute to the bottom line.

approaching one’s superior to discuss a problem. However, until such time when this is a reality in all workplaces, mechanisms for reporting and resolving problems are helpful.

Firms should devise approaches that are sensitive to the vulnerable position of employees who see wrongdoing or the potential for non-compliance. In addition to clear communications on the consequences of reporting breaches of CSR commitments, firms could consider anonymous hotlines, e-mail boxes and ombudspersons. Care must be taken to ensure that not only are the mechanisms for dealing with the problems designed well, but also that they are the option of last resort. Anonymous disclosure is open to abuse because it can encourage false or malicious disclosures, since the person making them can escape accountability for their actions. A senior manager should be assigned responsibility for investigating and reporting compliance on these issues.

For more specific guidance on whistle-blowing mechanisms, see the U.K.-based Public Concern at Work website ([www.pcaw.co.uk](http://www.pcaw.co.uk)) or visit the Ethics Practitioner’s Association of Canada site ([www.epac-apec.ca](http://www.epac-apec.ca)).

## 7. Create internal and external communications plans

Information about CSR commitments, activities and performance reporting must be communicated visibly and frequently to all employees. Whether through newsletters, annual reports, Intranet communication, meetings, training or informal mechanisms, employees must know that CSR is a company priority. Updates on CSR should also be put on the agenda of meetings at all levels of the company.

For external audiences, a good communications plan is important. It should identify the individuals and groups that need to be aware of a particular CSR initiative and those who should receive hard copies of CSR documents, as well as how those individuals and groups are to be reached. The communications activities might include an awareness campaign, featuring advertising and speeches. Firms may wish to avoid creating CSR reports that, through their sheer size, can intimidate potential readers. Website design can help to ensure that parties can easily access CSR information of interest to them. It is quite possible that communications will have to be tailored for various audiences (e.g. communications to investors are likely to be quite different from those addressed to communities).



## T A S K 5

# VERIFY AND REPORT ON PROGRESS

## What are CSR verification and reporting?

CSR is ultimately about performance. As such, verification and reporting are important tools to measure whether performance has actually taken place, giving interested parties an opportunity to see how well the firm is meeting its commitments and what effect that is having.

Verification (also known as conformity assessment or assurance) is a form of measurement that can take place in any number of ways: internal audits, industry (peer) and stakeholder reviews, and professional third-party audits. Firms should tailor their approach to verification to suit the corporate culture, and the context for and objectives and content of their CSR strategy and commitments.

Verification involves on-site inspections and review of management systems to determine levels of conformity to particular criteria set out in codes and standards to which the firm may have agreed to adhere (see examples in Appendix 4). Many of these codes and standards offer third-party certification and auditing.

Reporting is communicating with stakeholders about a firm's economic, environmental and social management and performance. When done well, reporting should address how societal trends are affecting a firm and, in turn, how the firm's presence and operations are affecting society. As such, reporting can demonstrate a company's motivation and willingness to position itself in a broader context. There is a delicate balance between providing sufficient information to be open and transparent, on the one hand, and burdening employees and stakeholders with excessive data, on the other. The objective is to share information with stakeholders to gain their trust and be viewed as credible. The reporting itself can also be verified, with third parties assessing the report's reliability.

Emerging initiatives such as the Global Reporting Initiative, AA1000 (see Appendix 4) and the Canadian Institute of Chartered Accountants' management discussion and analysis guidance (see text, right) are influencing CSR reporting. Discussion in this section draws extensively on the Government of Canada's Sustainability Reporting Toolkit (see page 60).

## Guidance on management discussion and analysis

The Canadian Institute of Chartered Accountants' guidance on management discussion and analysis (MD&A) sets out six principles and a five-part framework of recommended disclosure practices to help companies enhance their MD&A reports. The financial statements and MD&A together form the foundation for business reporting: investors must read them together to get an integrated and forward-looking understanding of a company's performance and prospects. The institute has also developed 20 questions for audit committees or boards of directors to ask when overseeing MD&A. For more information, go to [www.cica.ca/index.cfm/ci\\_id/10383/la\\_id/1.htm](http://www.cica.ca/index.cfm/ci_id/10383/la_id/1.htm)



## Make sure to do this

Tailor all reports to the target audience. A large glossy report will not be effective for all audiences. For example, an on-line snapshot of your performance may provide the information most customers require. Those who want further details can download a more in-depth version.



## Quick tips

► Review reports of others for ideas.

There are hundreds of organizations that report on their social and environmental performance annually. A number of websites host these reports and allow online viewing.

► Be open about strengths and weaknesses. Reports that talk about just the good news are less credible and open to criticism. Full transparency means talking about areas that need improvement.

► A one-size-fits-all approach generally does not work. Indicators need to be relevant to the company and its business, stakeholders and culture.

► A helpful tool for report verification is the AA1000 standard (see Appendix 4), designed specifically for assurance of sustainability reporting. This standard works well with the Global Reporting Initiative guidelines (see Appendix 4).

## Why does CSR verification and reporting matter?

There is an old saying, “What gets measured gets managed.” In the CSR field, proof of CSR progress is crucial to a firm’s success. It can provide the basis for informed decision making by interested parties who may wish to purchase the firm’s products, invest in the firm or support the firm’s activities in their community. The firm can also use it itself as the basis for further improvements, risk assessment and support for new directions and opportunities.

Verification and reporting can also be important for obtaining and maintaining a firm’s licence to operate, improving internal operations and building relationships. Communities, customers, investors, employees and their representatives, regulators and non-governmental organizations wishing to know about a firm and its activities are likely to consult the firm’s CSR verification reports. However, verification activities and reporting not done in a rigorous, professional manner, and not seen as credible, will undermine a firm’s credibility and reputation, thereby shutting doors to opportunities and diminishing profitability.

## How to do verification and reporting

Verification and reporting are more complicated than they seem: each firm is unique, so there is no one approach to carrying out these activities. Firms that agree to adhere to third-party-assured initiatives have information to report drawn from the conformity assessments undertaken as part of such initiatives. The Sustainability Reporting Toolkit describes a number of approaches to CSR or sustainability reporting being used in Canada (see page 60).

Some firms, such as Vancity Savings Credit Union, have their report formally assured by an independent third party (see page 60). The advantage of this approach is that when the third party has the credibility and experience to do this properly the verification is less vulnerable to criticisms of conflict of interest and it can more likely reveal problems that might not otherwise be brought to light. On the other hand, third-party verification is typically expensive and it can be difficult to find verifiers who can bring substantive expertise to the table, not just conformity assessment expertise.

Some firms, such as Nexen, engage in internal reviews. The advantage of internal reviews is that they can typically be conducted more expeditiously than can external review processes and at less cost. On the other

hand, internal reviews are not likely to have the credibility of those conducted by external parties and are vulnerable to criticisms of conflict of interest.

Some firms, such as Placer Dome and Dow Chemical, use the services of community or expert advisory panels. Panel members provide advice on how to optimize the public reporting process and on achieving transparency in terms of the scope of report content and the thoroughness of the reporting. An advantage of this approach is the credibility such panels and processes can offer, since the parties involved bring experience or concerns to the table that might be lacking in an internal review or third-party conformity verification. The drawback is that this type of review might not be as thorough or professional as those undertaken through either internal or professional third-party approaches.

Firms such as Talisman draw on testimonials or statements from external stakeholders in addition to other approaches. An advantage of this approach is the control the firm has over how verification and reporting are undertaken and their low cost. A disadvantage is that this approach may lack credibility in some quarters.

Firms such as BC Hydro conduct an opinion survey of Aboriginal leaders to see how well the firm's activities live up to its statement of principles and report the results.

Some firms use a combination of approaches. For example, WMC Resource Ltd. employed an external advisory group to provide input to the company on preparing its report, and then used external auditors to verify the report.

Canadian firms interested in improving the quality of reporting may be interested in the workshops provided through The Accountability Project (see next page).



*"There is a lot of talk about reporting but I haven't seen any proof that it adds value to a company. Given the commitment and cost involved, I am hard-pressed to allocate resources to reporting on our CSR activities."*

There are many reasons why companies would track, measure and report their CSR performance. Some see reporting as an effective communication and reputation management tool, building loyalty with customers, investors and suppliers around important values and issues. Others may choose to use it as a risk management tool. Not knowing the firm's weaknesses and being unable to anticipate when it might come under fire can be very costly. CSR reporting could also bring market advantage by putting firms in a better position to be included in the Dow Jones Sustainability Index or the Jantzi Social Index, which, in turn, would lead to being included in ethical investment funds and portfolios. In any case, CSR reporting is a big step for any company to take, and mapping a realistic plan is very important. A firm may want to begin with a self-assessment, moving into reporting against well-accepted global guidelines, such as those of the Global Reporting Initiative. With the proper steps, this process can evolve into an independently verified report with stakeholder engagement.



## Recent activity on verification and reporting

### Canada develops online corporate Sustainability Reporting Toolkit

A corporate sustainability report is a vehicle to communicate with stakeholders about a company's economic, environmental and social management and performance. The online Sustainability Reporting Toolkit draws on elements of emerging standards such as the Global Reporting Initiative to present a manageable approach for new and early reporters. It is also relevant to experienced sustainability reporters by highlighting a number of best practices.

Built in collaboration with Stratos Inc. and experts in the field of reporting, the Government of Canada's Sustainability Reporting Toolkit outlines 10 steps to preparing a report:

- ▶ building the business case
- ▶ making pre-planning decisions
- ▶ mapping out the reporting process
- ▶ identifying key issues and data
- ▶ engaging stakeholders
- ▶ developing performance indicators (note that this guide suggests developing performance indicators at an earlier stage)
- ▶ collecting information and data
- ▶ preparing and designing the report
- ▶ verifying and assuring the information
- ▶ publishing, distributing and evaluating.

The CSR implementation framework described in this guide provides many of the elements needed for such a report.

For more information, go to [www.sustainabilityreporting.ca](http://www.sustainabilityreporting.ca)

### Vancity turns to third-party assurance audit

Vancity Savings Credit Union, Canada's largest credit union, took its first step towards CSR reporting in 1992, when it included a special section in its annual report on the contributions to staff, community and ecological responsibility.

In November 1995, the board of directors adopted a more rigorous social audit, with stakeholder involvement as part of an overall CSR strategy. The social audit follows a two-year cycle and is based on the international AA1000 standard. The audit measures how the company is living up to the Statement of Values and Commitments – six commitments for how Vancity will live out its purpose and values – as well as stakeholder and societal expectations. Data are collected and stakeholder consultations take place, allowing Vancity to identify areas of improvement. Recommendations arising from the audit become part of the business planning process and the company strives to continuously improve its performance by setting targets and putting action plans in place.

For Vancity, the key to success is the embedding of the social audit process into existing management systems. Vancity publishes the results of the audit in its accountability report, which is verified by external parties. The company also reports annually on its key performance indicators, a combination of financial, environmental and social data generated internally as well as from stakeholder surveys.

### The Accountability Project

The Accountability Project is a Canadian capacity-building initiative aimed at improving the quality of CSR and sustainability reporting. It offers workshops on reporting and assurance to CSR managers and internal and external auditors, based on the AA1000 standard and Global Reporting Initiative guidelines. The Government of Canada, through Environment Canada and Natural Resources Canada, supported The Accountability Project. For more information, go to [www.theaccountabilityproject.ca](http://www.theaccountabilityproject.ca)



## CSR AND SMALL BUSINESSES

*“We definitely do not have the resources to hire a professional CSR auditor to evaluate our practices or to create fancy publications. How do we check our progress and share information about our CSR efforts despite these limitations?”*

In the environmental area, new approaches to checking progress for smaller firms are being developed, drawing on the services of financial auditors. (See, for example, the EnviroReady process associated with the ISO 14000 environmental management standards; for more information, go to [www.14000registry.com](http://www.14000registry.com)) At this point, there is no parallel approach for checking progress on social aspects. Designation of a senior employee for this function may suffice at the present time.

The easiest route for reporting is to post information on the company website. This is an inexpensive way to give an update on current CSR initiatives, including both successes and areas for improvement. A small organization can report to its business partners and staff at regularly scheduled meetings. By adding a few sections to basic company literature (brochures, pamphlets), small business owners can communicate CSR activities to their suppliers, customers and community.

## TASK 6

## EVALUATE AND IMPROVE



### Make sure to do this

Create a spreadsheet to track the evaluations from year to year. The spreadsheet can assist in identifying patterns or trends.

### What is an evaluation?

An evaluation tracks the overall progress of a firm's CSR approach and forms the basis for improvements and modification. With the information derived from verification and reporting, a firm is in a good position to rethink its current approaches and make adjustments.

Evaluation is all about learning. Learning organizations are those whose existence is based on continuous receipt and comprehension of new information and adaptation for sustainable advantage. They do not simply attempt to achieve objectives; they are constantly on the alert to adapt to changing circumstances or to find ways for improving their approaches.

An evaluation should involve stakeholder engagement, including comments and suggestions from management, CSR coordinators, managers and committees, employees and outside stakeholders.

### Why evaluate?

An evaluation allows a firm to do the following:

- ▶ determine what is working well, why and how to ensure that it continues to do so
- ▶ investigate what is not working well and why not, to explore the barriers to success and what can be changed to overcome the barriers
- ▶ revisit original goals and make new ones as necessary.

This base of information should allow the firm to determine whether the current CSR approach is achieving its objectives and whether the implementation approach and overall strategy are correct.

### How to do an evaluation

Drawing on the CSR objectives and indicators, and the information obtained through the verification and reporting process, firms should consider and respond to the following questions.

- ▶ What worked well? In what areas did the firm meet or exceed targets?
- ▶ Why did it work well? Were there factors within or outside the firm that helped it meet its targets?



### Quick tips

▶ Ask employees what they think worked well and what did not. They may have a different perspective on how things could be improved.

▶ During the evaluation is a good time to celebrate success and reward the team.

- ▶ What did not work well? In what areas did the firm not meet its targets?
- ▶ Why were these areas problematic? Were there factors within or outside the firm that made the process more difficult or created obstacles?
- ▶ What did the firm learn from this experience? What should continue and what should be done differently?
- ▶ Drawing on this knowledge, and information concerning new trends, what are the CSR priorities for the firm in the coming year?
- ▶ Are there new CSR objectives?

Finally, it is important that firms celebrate their successes. When goals are met and progress is achieved all parties concerned need to give each other a pat on the back for a job well done.



## Reality check

*“I don’t get it. What will an evaluation tell us that our \$60 000 CSR report doesn’t?”*

The evaluation stage is critical. It is really about sitting down and looking at what the CSR report is telling you. What goals did you set but did not actually achieve? Why? Are your reporting indicators the right ones? Are they aligned with your mission? Are you engaging the right stakeholders? Have you got the right people working on advancing CSR inside the company? This is the stage when you reflect on what needs to stay the same and what needs to change. It is critical to the continuous improvement of your CSR performance.



## CSR AND SMALL BUSINESSES

*“How is this different from the self-evaluation that we did a year ago? This seems like an extra piece of work.”*

Repeating evaluations at periodic intervals ensures that the firm has an opportunity to identify and act upon new challenges and opportunities that have arisen. Without regular evaluations, there is a danger that the firm will repeat problematic practices and fail to act upon changes in products or processes that could open up new markets. The results of regular evaluations should reveal the firm’s progress. When the evaluation results have improved then the firm is probably on the right track. When the results have stayed the same or even decreased then the CSR strategy may need to be revised.

## Part 3

# The importance of stakeholder engagement

## What is stakeholder engagement?

At its most basic, corporate social responsibility (CSR) is about seeing business as an integral part of Canadian society, the global community and the environment that supports it. A business does not exist in isolation. It relies on a multitude of relationships with customers, employees, suppliers, communities, investors and others – in other words, stakeholders.

Stakeholder engagement comprises the formal and informal ways of staying connected to the parties who have an actual or potential interest in or effect on the business. Engagement implies understanding their views and taking them into consideration, being accountable to them when accountability is called for, and using the information gleaned from them to drive innovation.

Stakeholder engagement spans a continuum of interaction that reflects the degree of influence stakeholders have in decision making. At one end, businesses simply inform stakeholders of their plans. At the other, stakeholders are deeply involved from early in the decision-making process. In between are varying degrees of consultation and participation. Suncor Energy characterizes three positions on the continuum as information sharing, consultation and collaboration. In this guide, stakeholder engagement includes, at a minimum, a genuine effort to understand stakeholder views.

## Why does stakeholder engagement matter?

One way to understand the importance of stakeholder engagement is to look at what can happen when it is not done: customers see the firm as unresponsive to their needs; employees feel unappreciated; suppliers trust the firm less; communities dig in their heels; and investors get nervous. Three key reasons for stakeholder engagement are building social capital, reducing risk and fuelling innovation.



**Building social capital.** In today's business environment, social capital is at least as important as fixed assets. Social capital refers to features of social organization, such as networks, norms and social trust, that facilitate coordination and co-operation for mutual advantage.

Social capital is the foundation on which a firm renews its "licence to operate." It is the basis for employees' willingness to give their best. It is essential to brand value. Social capital means strong, trusting relationships. It is forged slowly over time through positive interactions with stakeholders, but may be quickly lost when trust is broken.

Benefits of building social capital include improved access to information, enhanced influence, increased adherence to group norms, and being given the benefit of doubt should an unexpected problem arise.

In a recent document, *Stakeholder Relationships, Social Capital and Business Value Creation* (2003), the Chartered Accountants of Canada noted that the extent to which social capital creates value depends on the context, the perspective of the stakeholder and the nature of the corporation's strategic goals. While it is not possible to measure the value of a corporation's social capital, it is possible to assess the quality of a firm's stakeholder relationships and the potential contribution of social capital to the creation of business value.

**Reducing risk.** In an environment of instant, global communication, stakeholder engagement can provide an early warning of service or product concerns of customers, safety, human rights and environmental concerns of communities, and governance concerns of shareholders, among other issues. With a stakeholder engagement process in place, a firm will have a way to respond to stakeholders' concerns promptly, before they become much bigger problems.

**Fuelling innovation.** Stakeholder engagement can improve information flow, identify business opportunities and generate ideas. Some researchers have suggested that businesses that cultivate a culture of learning and transparency in relation to stakeholders will have an edge in the increasingly wired and knowledge-driven world.

Another way to understand the importance of stakeholder engagement is to consider the role that customers, shareholders, employees, suppliers, communities and others can play in the "plan, do, check and improve" aspects of a CSR implementation framework.

**Planning.** During the planning phase, stakeholders can assist in identifying a firm's environmental, social and economic impacts, and help develop a firm's CSR strategy.

*Doing.* Shifting from planning to doing, stakeholders play an important role in developing a firm's CSR commitments, as well as implementing the commitments.

*Checking.* At the checking stage, stakeholders are integral to verification and progress.

*Improving.* Finally, the input of stakeholders can be crucial to a firm's evaluation and improvement activities.

In all phases, approaches to engagement should be practical and transparent, tailored to the abilities and needs of the firm and the stakeholders.

## How to approach stakeholder engagement

A five-step stakeholder engagement process is set out below.

1. Identify stakeholders
2. Understand the reasons for stakeholder engagement
3. Plan the engagement process
4. Start the dialogue
5. Maintain the dialogue and deliver on commitments

Note that the order and the steps suggested here simply represent one way of approaching stakeholder engagement.

Depending upon the issue or issues involved, the size of the firm and other factors, firms may choose less elaborate approaches than that outlined here.



## CSR AND SMALL BUSINESSES

### Stakeholder engagement for small firms

Stakeholder engagement is a great way to check whether a firm's CSR approach resonates with those with whom the firm interacts. Still, small business owners and managers might think, "Stakeholders? I wouldn't know where to begin finding them let alone engaging them in our decision making. Do we really need to open this can of worms?"

The object is not to do more than is realistically possible. Begin simply by determining main stakeholder groups – most often employees, customers and the local community. Engaging them can be accomplished easily by placing CSR information on the firm's website, sending out e-mail updates or creating a flyer outlining CSR initiatives. It is also possible to set up an e-mail account for anyone to use to ask questions and make comments about products or practices.

## T A S K 1

### IDENTIFY STAKEHOLDERS

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Companies have about as much ability to choose their stakeholders as children have to choose their parents, so the best any firm can do is to identify their stakeholders. The location, scale and nature of operations will determine who sees themselves as stakeholders. Stakeholders will expect to be recognized when the firm's effect on them, for better or worse, is direct or immediate – employees, for example. Even people who seem to have no direct connection to the business may consider themselves stakeholders, such as the families of the employees and those who live in the communities in which the business is located.

A useful technique at this stage is stakeholder mapping. This is a way of visually representing the variety of stakeholder relationships the firm has and their relative proximity or strength. Some businesses use grid diagrams while others use circles. Regardless, it is important to include all the relationships in which the firm affects people or they affect the firm.

Thinking broadly about stakeholders often results in a list that is much too long to be of any practical use. To avoid engagement burnout (trying to talk to too many stakeholders) consider setting priorities, using the following criteria as a start:

- ▶ the significance of the effect of the firm in the view of the stakeholder (for example, layoffs at the only plant in town will be very significant to workers, their families and other residents)
- ▶ the importance of the stakeholder group to operations (for example, customers and key suppliers)
- ▶ the risk of getting incomplete information by excluding a group (for example, when a foreign subsidiary's only contacts are with government officials, it will be difficult to learn the concerns of local workers or residents)
- ▶ the opportunity to access new ideas (for example, engaging a group that is likely to challenge current practices may provide fresh insight into a difficult problem – but the firm had better be prepared to actually change its approach)
- ▶ the requirements of regulators or permit-issuing bodies (for example, to get an operating licence in certain areas in Canada, a firm may be required to engage Aboriginal peoples).



## Make sure to do this

Done properly, stakeholder engagement is an excellent way for a business to tell its story and explain its goals and plans, while also affording the firm an opportunity to learn about stakeholders' views and incorporate these into business planning.

## T A S K 2

# UNDERSTAND THE REASONS FOR STAKEHOLDER ENGAGEMENT

The firm may be contemplating stakeholder engagement to better understand its impacts, to help articulate its values, mission, strategy, commitments and implementation, to facilitate a regulatory approvals process, to participate in measurement and reporting, to avert or solve a crisis, or to proactively improve relationships. The reason for engaging stakeholders will determine the style of engagement and stakeholders' expectations, all of which could change over time.

It is important to be clear about where each engagement fits into the big picture. Will the role of stakeholders be advisory or participatory? Is the firm prepared to change its plans significantly based on what it learns? The demands on some stakeholder groups to participate in consultation processes have become so great that sophisticated stakeholders are not willing to contribute much energy to processes in which they have little influence.

Without committing any resources, becoming aware of stakeholders and their significance will benefit future business planning.

## T A S K 3

# PLAN THE ENGAGEMENT PROCESS

Determine the engagement objectives. What do the firm and the stakeholders want and need to get from the engagement?

The engagement plan should describe each stakeholder group and any subgroups, to ensure that the participants are representative of the group. It should also describe existing engagement processes, since many of these can be used as the foundation to develop a more systemic approach. For example, some engagement may already exist under the auspices of the current management approach (e.g. ISO 9000, ISO 14000). When engagement is planned in the context of a regulatory process or a crisis, it is crucial to ensure that the participants have the legal and/or moral authority to speak for their group. For engagement related to performance measurement or organizational learning, having representative participants is also important to ensure reliable results.

The engagement plan should note the capacity of the group to engage with the firm on specific issues. Communities, Aboriginal peoples and other stakeholders may need resources to participate, including credible information, compensation or childcare (so individuals can participate in meetings or engagement activities). Whenever possible, use the language of the stakeholder group. At a minimum, provide interpreters. Separate engagement processes for Aboriginal peoples should be considered. Ensure that vulnerable groups, such as employees and their representatives in some situations, can speak openly, without fear of reprisal. This may require holding engagement processes off-site. Be sensitive to gender issues. Providing a facilitator of the same gender as the participants may make the group more comfortable about sharing information.

Select the appropriate engagement approach. This may be focus groups, individual or small group interviews, surveys, formal referrals, key-person meetings, advisory councils or some other. The approach chosen should reflect the engagement objectives, stakeholder capacity, cost and time constraints, and whether qualitative or quantitative information is required.

Consider getting outside help. A professional facilitator or consultant can help with the details of the engagement plan.

## Expertise in stakeholder engagement

Simon Fraser University's Centre for Sustainable Community Development provides research, advice and support to firms interested in stakeholder engagement, and designs stakeholder dialogue processes. The centre is one of Canada's leading sources of expertise on stakeholder engagement. For further information, go to [www.sfu.ca/cscd/cli/](http://www.sfu.ca/cscd/cli/)



### Quick tips

- ▶ Prioritize which stakeholders to engage with in terms of their ability to impact positively or negatively on the firm.
- ▶ Make sure you know in advance why it is you are engaging with your stakeholders and how you are going to engage with them.
- ▶ Consider using professional facilitators or consultants to assist in constructing an effective engagement process.



## Reality check

*“We’ve tried engaging stakeholders and all we do is listen to a torrent of criticism, often from people who don’t understand our business at all or, worse yet, just want to shut us down. I don’t know why we would do this, given that our competition doesn’t bother and their share price isn’t doing any worse than ours in the market today.”*

Listening to the sometimes critical views of stakeholders may not be very pleasant, but it does provide firms with an opportunity to learn more about perceived problems, and can be the basis for constructive action. There are many examples of companies who have done this, and gained a competitive advantage over other firms as a result. This section of the guide reviews how to identify stakeholders, and firms need to think about whom to invite to the table. It is often the loudest ones that are invited. It is also important to think about who can add value to the way the firm thinks about and conducts its business. Formal stakeholder engagement sessions are good, as are one-on-one conversations with people who understand the points of intersection the company has with society and ecosystems. These stakeholders may not always agree with the firm’s view and may offer information that is hard to act on. Knowing this early on can save the firm from being side-swiped and derailed later. The more open and transparent a company is, the more intelligent and stable it is.

## T A S K 4

### START THE DIALOGUE

Entering into engagement in a spirit of respect and openness will increase the opportunities for mutual benefit. When inviting stakeholders to participate, be clear about the degree of influence they will have and commit to it. Nothing is more likely to destroy trust and discourage future engagement than revealing part way into an engagement process that the key decisions have already been made.

Remember that dialogue means two parties conversing. Cultivate the capacity for listening.

## T A S K 5

### MAINTAIN THE DIALOGUE AND DELIVER ON COMMITMENTS

As noted, there can be a wide range of engagement approaches. There is no “one size fits all.” After the dialogue and engagement process have commenced and there is agreement by both the company and the stakeholders on the approach and deliverables, it is important for the participating parties to deliver on their engagement commitments. The dialogue should be maintained in accordance with the process that has been endorsed.

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## Stakeholder engagement resources and examples

### Engagement for performance measurement and accountability

An important development in stakeholder engagement since the early 1990s has been the rapid growth in reporting to stakeholders on environmental performance, then social performance and now sustainability performance. Companies such as Newmont Mining have found that one of the benefits of good reporting is that sharing credible performance information provides a foundation for future dialogue. The value of stakeholder engagement to reporting is also recognized under the principle of inclusivity in the Global Reporting Initiative's sustainability reporting guidelines.

The AA1000 series of standards developed by AccountAbility (see Appendix 4) builds the benefits of stakeholder engagement right into the measurement, reporting and assurance process. Under the AA1000 framework, stakeholder engagement ensures that sustainability reporting is complete and relevant. Stakeholders may be engaged in identifying issues, selecting performance indicators and providing feedback on finished reports. Vancity Savings Credit Union was one of the first Canadian organizations to adopt the AA1000 framework for its social and environmental reporting. Canadian-based training in the use of the AA1000 series is available through The Accountability Project (see page 60).

### Engagement for social capital creation

Over the last five years, Placer Dome International has used the Stakeholder 360, a management tool developed by the Centre for Sustainable Community Development at Simon Fraser University, to monitor and increase levels of social capital in communities and improve the relationship between the company and its stakeholders as it closed a gold mine on Misima Island in Papua New Guinea.

### Engagement with Aboriginal peoples

Building mutually supportive relationships with Aboriginal peoples requires genuine respect for their perspective and position. Building on years of engagement, Hydro-Québec and the Cree Nation signed nine agreements in 2002 to ensure that Cree people benefit from the development of hydroelectric opportunities in the James Bay area. On a much smaller scale, Eagle Rock Materials Ltd. credits the active participation of two Nuu-chah-nulth communities for much of what it has learned as it has developed new gravel ventures in British Columbia.

A common problem area is Aboriginal imagery. There have been occasions when companies have used Aboriginal images to promote or market their company or product – sometimes without the consent of affected Aboriginal communities. Out of respect for the owners of this intellectual property, companies need to consult with and obtain the permission of the owners of these images prior to using them. The consultation could include elders, women and other leaders within an Aboriginal community. Note that such consultation could take a long time, because often there is little consensus in a community about how such images should be used – if at all.

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## Stakeholder engagement resources and examples

### Engagement with non-governmental organizations

Partnerships with non-governmental organizations are becoming a valued CSR strategy. One Canadian example is the partnership between Tembec and the World Wildlife Fund. Business for Social Responsibility has published a guide to understanding and forging partnerships with non-governmental organizations, which is available at [www.bsr.org](http://www.bsr.org)

Internationally, Gap Inc. is engaging with ethical investment groups, non-governmental organizations, unions and campaign groups, including the Maquila Solidarity Network, on the development of its CSR reports. Gap Inc. is also involving local non-governmental organizations in training workers and management personnel in labour rights (in Cambodia, for instance). In Central America, Gap Inc. is involving local non-governmental organizations in the actual monitoring process. In Canada, Mountain Equipment Co-op is engaging with a number of stakeholders on its environmental and labour standards, and community policies.

### Engagement for innovation

A new release in AccountAbility's Innovation Through Partnership series, *Community Enabled Innovation: Companies, Communities and Innovation* documents "how companies learn from engagement and can produce demonstrable and significant sources of Community-enabled Innovation, which benefit companies and their significant communities." The report looks at the actual practice of a number of U.K. companies, including leading retailer Tesco.

### Corporate Engagement Project

The Corporate Engagement Project is a collaborative effort involving multinational corporations that operate in areas of conflict or socio-political tension. Its purpose is to help corporate managers better understand the impact of activities on the context in which they work and to help companies respond to local challenges and to address stakeholder issues by helping them to develop a range of practical options and management tools. For more information, go to [www.cdainc.com/cep/](http://www.cdainc.com/cep/)

### Aboriginal engagement and sustainability case studies: CSR leadership practices

In July 2005, Canadian Business for Social Responsibility released *Building Sustainable Relationships: 15 Case Studies From the Aboriginal Engagement and Sustainability Conference*. This is a compendium of the most recent case studies addressing leadership practices and partnerships between natural resource companies and Aboriginal communities from across Canada, as well as two cases from New Zealand and Australia. For this and other resources, go to [www.cbsr.ca](http://www.cbsr.ca)



# For further reading

## Government of Canada websites

Government of Canada websites on corporate social responsibility and sustainable development:

- ▶ Environment Canada: [www.ec.gc.ca/susdev\\_e.html](http://www.ec.gc.ca/susdev_e.html)
- ▶ Export Development Canada: [www.edc.ca/corpinfo/csr/index\\_e.htm?HP=social\\_respons2\\_e](http://www.edc.ca/corpinfo/csr/index_e.htm?HP=social_respons2_e)
- ▶ International Trade Canada: [www.dfait-maeci.gc.ca/tna-nac/social-en.asp#corporate](http://www.dfait-maeci.gc.ca/tna-nac/social-en.asp#corporate)
- ▶ Industry Canada: [www.strategis.ic.gc.ca/csr](http://www.strategis.ic.gc.ca/csr)
- ▶ Natural Resources Canada: [www.nrcan.gc.ca/sd-dd/csr-rse/csr\\_e.html](http://www.nrcan.gc.ca/sd-dd/csr-rse/csr_e.html)

## Other websites

- ▶ Canadian Business for Social Responsibility: [www.cbsr.ca](http://www.cbsr.ca)
- ▶ Caux Round Table: [www.cauxroundtable.org](http://www.cauxroundtable.org)
- ▶ Conference Board of Canada: [www.conferenceboard.ca](http://www.conferenceboard.ca)
- ▶ Global Reporting Initiative: [www.globalreporting.org](http://www.globalreporting.org)
- ▶ Imagine Canada: [www.imagine.ca](http://www.imagine.ca)
- ▶ International Labour Organization: [www.ilo.org](http://www.ilo.org)
- ▶ Organisation for Co-operation and Economic Development: [www.oecd.org](http://www.oecd.org)
- ▶ The Corporate Engagement Project: [www.cdainc.com/cep/](http://www.cdainc.com/cep/)
- ▶ The SME Key: Unlocking Responsible Business: [www.smekey.org](http://www.smekey.org)
- ▶ UN Global Compact: [www.unglobalcompact.org](http://www.unglobalcompact.org)
- ▶ World Business Council for Sustainable Development: [www.wbcsd.org](http://www.wbcsd.org)

## Publications

### Canada

Canadian Council of Chief Executives, *Governance, Values and Competitiveness: A Commitment to Leadership*, September 2002, [http://www.ceocouncil.ca/en/corporate/corp\\_gov.php](http://www.ceocouncil.ca/en/corporate/corp_gov.php)

*Corporate Social Responsibility: Lessons Learned* and 10 case studies produced in conjunction with this Government of Canada report, [www.nrcan.gc.ca/sd-dd/pubs/csr-rse/csr\\_e.html](http://www.nrcan.gc.ca/sd-dd/pubs/csr-rse/csr_e.html)

Export Development Canada, *Keeping Corruption Out...: A guide for Canadian exporters*, [www.edc.ca/corpinfo/csr/anti\\_corrup/anticorruptbrochure\\_june17\\_e.pdf](http://www.edc.ca/corpinfo/csr/anti_corrup/anticorruptbrochure_june17_e.pdf)

Office of Consumer Affairs (Industry Canada) and Regulatory Affairs Division (Treasury Board Secretariat), *Voluntary Codes: A Guide for Their Development and Use*, 1998, [www.strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/en/h\\_ca00880e.html](http://www.strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/en/h_ca00880e.html)

Office of Consumer Affairs (Industry Canada), *Consumer Complaints Management: A Guide for Canadian Business*, 2002, [www.strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/vwapj/ConsumerComplaints.pdf/\\$FILE/ConsumerComplaints.pdf](http://www.strategis.ic.gc.ca/epic/internet/inoca-bc.nsf/vwapj/ConsumerComplaints.pdf/$FILE/ConsumerComplaints.pdf)

## Abroad

Department of Trade and Industry (U.K.), *Engaging SMEs in Community and Social Issues*, a consortium research study, [www.bitc.org.uk/resources/research/research\\_publications/bitc\\_research.html](http://www.bitc.org.uk/resources/research/research_publications/bitc_research.html)

*Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights*, [www1.umn.edu/humanrts/links/NormsApril2003.html](http://www1.umn.edu/humanrts/links/NormsApril2003.html)

International Chamber of Commerce, *Business and Society: Making a Positive and Responsible Contribution*

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## Appendix 1

# External Multi-Stakeholder CSR Expert Advisor Group

The process of preparing this guide benefited from the input of an extensive multi-stakeholder CSR expert group (see below). It should be noted, however, that the guide does not represent a consensus of this group, nor does it necessarily represent the views of the group members or the organizations to which they belong.

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Gordon Peeling . . . . .	President and Chief Executive Officer . . . . .	Mining Association of Canada
Jason Potts . . . . .	Investment, Trade Consultant . . . . .	International Institute for Sustainable Development
Rowena Santos . . . . .	Program Officer . . . . .	Imagine Canada
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David Stewart-Patterson . . . . .	Executive Vice President . . . . .	Canadian Council of Chief Executives
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Robert Walker . . . . .	Vice President . . . . .	The Ethical Funds Co.
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Bob White . . . . .	Consultant . . . . .	Canadian Alliance of Manufacturers and Exporters
Gil Yaron . . . . .	Director, Law and Policy . . . . .	Shareholder Association for Research and Education

## **Appendix 2**

# **Corporate social responsibility organizations**

## **Canadian Business for Social Responsibility**

Founded in 1995, Canadian Business for Social Responsibility (CBSR; [www.cbsr.ca](http://www.cbsr.ca)) is a non-profit, business-led, national membership organization of Canadian companies that have made a commitment to operate in a socially, environmentally and financially responsible manner, while recognizing the interests of their stakeholders. CBSR's member companies are among Canada's leaders across all major sectors of the economy and, as such, are committed to developing, sharing and implementing corporate social responsibility best practices. CBSR is the only Canadian organization that focuses exclusively on corporate social responsibility. CBSR advances corporate social responsibility through research, educational programs, collaborative projects, business tools (including assessments, strategies, workshops, frameworks and programs for small and medium-sized enterprises) and advisory services.

## **Canadian Centre for Ethics and Corporate Policy**

Founded in 1988, the Canadian Centre for Ethics and Corporate Policy ([www.ethicscentre.ca](http://www.ethicscentre.ca)) is a registered charity dedicated to promoting and maintaining an ethical orientation and culture in Canadian organizations. The Centre's mission is to champion the application of ethical values in the decision-making process of businesses and other organizations. It operates in a non-judgmental and inclusive way to explore and promote the positive role of ethical decision making. The Centre serves as a forum and catalyst for constructive discussion and debate. The Centre offers a variety of resources on ethics and corporate responsibility, including access to speakers on corporate ethical issues, seminars, conferences, CEO roundtables, and publications on timely ethical issues.

## Conference Board of Canada

Formed in 1954, the Conference Board of Canada ([www.conferenceboard.ca](http://www.conferenceboard.ca)) is a non-profit and independent applied research organization devoted to building leadership capacity by creating and sharing insights on economic trends, public policy issues and organizational performance. The Conference Board forges relationships and delivers knowledge through learning events, networks, research products and customized information services. Conference Board of Canada members include a broad range of Canadian organizations from the public and private sectors. The Conference Board of Canada is affiliated with The Conference Board, Inc., which serves some 3000 companies in 67 nations. Working with Imagine Canada (see below), the Conference Board has developed the Corporate Responsibility Assessment Tool. The Conference Board also publishes occasional papers on corporate social responsibility, holds conferences and issues an annual corporate social responsibility report.

## Imagine Canada

Started in 1988, Imagine ([www.imagine.ca](http://www.imagine.ca)) is Canada's national program to promote public and corporate giving, volunteering and support for the community. Imagine sets benchmarks for business leadership and works to encourage and promote collaborative partnerships between the corporate and charitable sectors. Many companies have signed on to the Imagine Corporate Citizenship Commitment (a set of principles and practices that companies agree to that includes a commitment to give a minimum of one percent of pre-tax profit to charity) and a number of Canadian CEOs have become signatories to the Corporate Citizenship Leadership Challenge for CEOs and Boards, which commits CEOs to be champions in their companies and with peers. Imagine has also advanced and showcased more than 100 innovative partnerships between companies and non-profit organizations. Using innovation to address social challenges, companies and communities across Canada are benefiting from positive change. Imagine teamed up with the Conference Board of Canada to develop the Corporate Responsibility Assessment Tool.

## Business for Social Responsibility

Business for Social Responsibility (BSR; [www.bsr.org](http://www.bsr.org)) is a U.S.-based organization that helps member companies achieve success in ways that respect ethical values, people, communities and the environment. BSR provides information, tools, training and advisory services to make

corporate social responsibility an integral part of business operations and strategies. A non-profit organization, BSR promotes cross-sector collaboration and contributes to global efforts to advance the field of corporate social responsibility.

## **Coalition for Environmentally Responsible Economies**

The Coalition for Environmentally Responsible Economies (CERES; [www.ceres.org](http://www.ceres.org)) is a U.S.-based network of investment funds, environmental organizations and other public interest groups working to advance environmental stewardship on the part of business. In 2002, CERES launched the Sustainable Governance Project to raise global climate change and the other sustainability issues as significant risks to be addressed by corporate brands and investment fiduciaries.

## **Fair Labor Association**

The Fair Labor Association (FLA; [www.fairlabor.org](http://www.fairlabor.org)) is a U.S.-based non-profit organization combining the efforts of industry, non-governmental organizations, colleges and universities to promote adherence to international labour standards and to improve working conditions worldwide. The FLA was established as an independent monitoring body that holds participating companies accountable for the conditions under which their products are produced. To advance fair, decent and humane working conditions, the FLA enforces the Workplace Code of Conduct, which is based on the core labour standards of the International Labour Organization.

## **Social Accountability International**

Social Accountability International (SAI; [www.sa-intl.org](http://www.sa-intl.org)) is a U.S.-based, non-profit organization dedicated to developing, implementing and overseeing voluntary and verifiable social accountability standards. SAI works to improve workplaces and combat sweatshops through the expansion and further development of its workplace standard, SA8000, and its associated verification system. SAI is committed to ensuring that standards and the systems for verifying compliance with such standards are highly reputable and publicly accessible. To accomplish this, SAI:

- ▶ convenes key stakeholders to develop consensus-based voluntary standards
- ▶ accredits qualified organizations to verify compliance

- ▶ promotes understanding and encourages implementation of such standards worldwide

SAI's social accountability system is based on transparency, credibility and verification.

## **Business in the Community**

Business in the Community ([www.bitc.org.uk](http://www.bitc.org.uk)) is a unique movement in the United Kingdom of 700 member companies, with a further 1600 participating in its programs and campaigns. It operates through a network of 98 local business-led partnerships, and has 45 global partners. Its purpose is to inspire, challenge, engage and support business to continually improve its positive impact on society. Business in the Community is the largest and longest established organization of its kind – an independent, business-led charity with more than 20 years' experience.

## **Ethical Trading Initiative**

The Ethical Trading Initiative ([www.ethicaltrade.org](http://www.ethicaltrade.org)) is a non-profit, United Kingdom-based alliance of companies, non-governmental organizations and trade unions. It exists to promote and improve the implementation of corporate codes of practice that cover supply chain working conditions. Its ultimate goal is to ensure that the working conditions of employees producing goods for the U.K. market meet or exceed international labour standards.

## **The Prince of Wales International Business Leaders Forum**

The Prince of Wales International Business Leaders Forum ([www.iblf.org](http://www.iblf.org)) is an international educational charity set up in 1990 to promote responsible business practices that benefit business and society, and which help to achieve social, economic and environmentally sustainable development, particularly in new and emerging market economies. The Forum:

- ▶ encourages continuous improvement in responsible business practices in all aspects of company operations
- ▶ develops geographic or issue-based partnerships to take effective action on social, economic and environmental issues
- ▶ helps to create an “enabling environment” to provide the conditions for these practices and partnerships to flourish.



## **World Business Council for Sustainable Development**

The World Business Council for Sustainable Development ([www.wbcsd.org](http://www.wbcsd.org)) is a coalition of 170 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. The Council's members are drawn from more than 35 countries and 20 major industrial sectors. The organization also benefits from a global network of 45 national and regional business councils and partner organizations located in 40 countries, involving some 1000 business leaders. The Council's activities reflect its belief that the pursuit of sustainable development is good for business and that business is good for sustainable development.

## **Business and Human Rights Resource Centre**

The Business and Human Rights Resource Centre is an independent, international, non-profit organization that strives to promote greater awareness and informed discussion of important issues related to business and human rights. Its online library covers more than 1800 companies, 160 countries and 150 topics, and includes a large section on the Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights ([www.business-humanrights.org](http://www.business-humanrights.org)).

## **Corporate Engagement Project**

Launched in 2000 by the non-profit CDA-Collaborative Learning Projects ([www.cdainc.com/cep/](http://www.cdainc.com/cep/)), the Corporate Engagement Project (CEP), is a collaborative effort involving multinational corporations that operate in areas of conflict or socio-political tension. Its purpose is to help managers to better understand the impacts of the companies' activities on the context within which they work. Through the development of a range of practical options and management tools, the CEP helps companies to respond to local challenges and to address stakeholder concerns.

## Appendix 3

# Key international CSR instruments

## United Nations Global Compact Ten Principles

The Global Compact's 10 principles ([www.unglobalcompact.org](http://www.unglobalcompact.org)) in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from the following sources:

- ▶ Universal Declaration of Human Rights:  
[www.un.org/Overview/rights.html](http://www.un.org/Overview/rights.html)
- ▶ International Labour Organization Declaration on Fundamental Principles and Rights at Work: [www.ilo.org/dyn/declaris/declarationweb.indexpage](http://www.ilo.org/dyn/declaris/declarationweb.indexpage)
- ▶ Rio Declaration on Environment and Development:  
[www.un.org/esa/sustdev/documents/agenda21/index.htm](http://www.un.org/esa/sustdev/documents/agenda21/index.htm)
- ▶ United Nations Convention against Corruption:  
[www.unodc.org/unodc/en/crime\\_convention\\_corruption.html](http://www.unodc.org/unodc/en/crime_convention_corruption.html)

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

## Human Rights

**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2** Make sure that they are not complicit in human rights abuses.

## Labour Standards

**Principle 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4** The elimination of all forms of forced and compulsory labour;

**Principle 5** The effective abolition of child labour; and

**Principle 6** The elimination of discrimination in respect of employment and occupation.

## **Environment**

**Principle 7** Businesses should support a precautionary approach to environmental challenges;

**Principle 8** Undertake initiatives to promote greater environmental responsibility; and

**Principle 9** Encourage the development and diffusion of environmentally friendly technologies.

## **Anti-corruption**

**Principle 10** Businesses should work against all forms of corruption, including extortion and bribery.

## **The Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises (2000 revision)**

### **Extract from part 1, section II, General Policies**

Enterprises should take fully into account established policies in the countries in which they operate, and consider the views of other stakeholders. In this regard, enterprises should:

1. Contribute to economic, social and environmental progress with a view to achieving sustainable development.
2. Respect the human rights of those affected by their activities consistent with the host government's international obligations and commitments.
3. Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice.

4. Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to environmental, health, safety, labour, taxation, financial incentives, or other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices.
7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.
8. Promote employee awareness of, and compliance with, company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against employees who make *bona fide* reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the *Guidelines* or the enterprise's policies.
10. Encourage, where practicable, business partners, including suppliers and subcontractors, to apply principles of corporate conduct compatible with the *Guidelines*.
11. Abstain from any improper involvement in local political activities.

Sections III to X of part 1 cover disclosure, employment and industrial relations, the environment, combating bribery, consumer interests, science and technology, competition and taxation.

## **International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**

This declaration was first adopted in 1977 by the International Labour Organization's governing body and was revised in 2000. It offers guidance to multinational enterprises, governments, and employer and worker organizations in areas such as employment, training, conditions of work and life, and industrial relations. As a declaration, it is not an international treaty or convention, but rather a part of international "soft law." One of the most significant aspects of the declaration is its understanding that although ILO conventions and recommendations address the behaviour of governments and are intended to be ratified by governments, the underlying principles of many of these instruments could be applied to other parts of society, including business. For further information and a guide to using the principles, go to [www.ilo.org/multi](http://www.ilo.org/multi)

## **Millennium Development Goals**

World leaders agreed to the following Millennium Development Goals at the Millennium Summit in September 2000:

- ▶ eradicate extreme poverty and hunger
- ▶ achieve universal primary education
- ▶ promote gender equality and empower women
- ▶ reduce child mortality
- ▶ improve maternal health
- ▶ combat HIV/AIDS, malaria and other diseases
- ▶ ensure environmental sustainability
- ▶ develop a global partnership for development.

For further information, go to [www.developmentgoals.org](http://www.developmentgoals.org)

For a framework of action on how firms can help achieve these goals, see United Nations Development Programme and The Prince of Wales International Business Leaders Forum, *Business and the Millennium Development Goals: A Framework for Action*, 2003 ([www.undp.org/business/docs/mdg\\_business.pdf](http://www.undp.org/business/docs/mdg_business.pdf)).

## **Voluntary Principles on Security and Human Rights**

In 2000, a group of resource extraction companies, working with non-governmental organizations, a trade union and CSR organizations, agreed on a set of principles for the provision of security consistent with human rights guidelines. This initiative was instigated by the American and British governments and is supported by the Dutch and Norwegian governments. The principles cover providing of security by public sector bodies and by private actors, and conducting risk assessments concerning security and human rights. For more information, go to [www.state.gov/g/drl/rls/2931.htm](http://www.state.gov/g/drl/rls/2931.htm)

## **Equator Principles**

The Equator Principles are a voluntary set of environmental and social screening criteria and guidelines that provide a framework for banks to manage environmental and social issues in project financing. The principles are based on the shared environmental and social standards of the International Finance Corporation and the World Bank, and apply globally to development projects in all industry sectors with a capital cost of US\$50 million or more. Several Canadian banks have adopted the principles. For more information, go to [www.equator-principles.com](http://www.equator-principles.com)

## **Draft Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights**

Written in consultation with businesses, non-governmental organizations and unions, the draft norms were adopted by the United Nations Sub-Commission on the Promotion and Protection of Human Rights in August 2003. Although the draft norms do not have legal standing, they provide an indication of the possible human rights responsibilities of companies. On April 20, 2005, the United Nations Commission on Human Rights approved a resolution that would for the first time appoint a special representative with a mandate to identify standards of corporate responsibility with regard to human rights. The draft norms can be downloaded from [www1.umn.edu/humanrts/links/NormsApril2003.html](http://www1.umn.edu/humanrts/links/NormsApril2003.html)

## **Appendix 4**

# **Non-governmental CSR-related codes and standards initiatives**

### **AA1000**

Launched in 1999, the AA1000 framework, including standards, guidelines and professional development, provides a systematic stakeholder-based approach to organizational accountability. The AA1000 standard ([www.accountability.org.uk](http://www.accountability.org.uk)) is a standard for assessing, attesting to and strengthening the credibility and quality of organizations' sustainability reporting and their underlying processes, systems and competences. It is designed to improve accountability and performance by promoting learning through stakeholder engagement. It was developed to address the need for organizations to integrate their stakeholder engagement processes into daily activities. This standard works well with the Global Reporting Initiative guidelines, discussed below.

### **Australian standard on compliance programs**

Compliance with laws and other requirements is essential to any firm's social responsibility program. Compliance programs help firms prevent, detect and correct breaches of legal obligations. Standards Australia developed AS 3806-1998 to help firms ensure they have effective compliance programs in place. The standard includes structural, operational and maintenance elements. Structural elements focus on commitments, compliance policies, management responsibility, resources and continuous improvement. Operational elements include identification of compliance issues, operating procedures for compliance, implementation, complaints handling, record keeping, identification and rectification of systematic and recurring problems, reporting and management supervision. Maintenance elements include education and training, visibility and communication, monitoring and assessment, review, liaison and accountability.

## Global Reporting Initiative

The Global Reporting Initiative (GRI; [www.globalreporting.org](http://www.globalreporting.org)) develops and disseminates globally applicable sustainability reporting guidelines. These guidelines are for voluntary use by organizations for reporting on the economic, environmental and social dimensions of their activities, products and services. Sector-specific guidelines are developed as interest is expressed. GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, research and labour organizations from around the world. Started in 1997, GRI is an official collaborating centre of the United Nations Environment Programme and works in co-operation with the Global Compact.

## ISO 14001

ISO 14001 is a standard that provides a structure (an environmental management system or EMS) to help organizations manage and minimize their environmental impacts and achieve continual improvement. An organization may also use an EMS to add to an existing management system, for example, one based on quality. Within the EMS, an organization:

- ▶ formulates a policy
- ▶ identifies environmental impacts, areas of risk, relevant laws and other requirements
- ▶ sets objectives and targets
- ▶ establishes a structure and programs to implement the policy and achieve objectives and targets
- ▶ facilitates planning, control, monitoring, measurement, corrective action, auditing and review activities to ensure that the directives set in the policy and the EMS are met, and that the EMS maintains its relevance, currency and utility
- ▶ develops procedures for training and communications, and operational control and monitoring, taking into account information about significant environmental impacts that it controls or can have an influence on
- ▶ continuously improves its processes.

In developing and adopting an EMS, an organization is not expected to control every single impact it has on the environment. Nor does it mean that an organization that adopts ISO 14001 will never experience another environmental challenge, such as a spill or emission. It does mean that the organization has a procedure in place to manage things that have significant impacts on the environment.



## **ISO 9001**

ISO 9001 is a standard that provides a structure (a quality management system) to help organizations to develop products and services that consistently ensure customer satisfaction and to continuously improve their products, services and process. The standard uses the “plan, do, check and improve” approach.

## **OHSAS 18001: Occupational Health and Safety**

OHSAS 18001 is a standard that provides a structure to help organizations manage their occupational health and safety programs to ensure employee safety and well-being and to achieve continuous improvement. It is based on the British Standards Institution standard BS 8800, and was developed by 13 national standards organizations and international certification bodies. It is said to be compatible with ISO 9001 and ISO 14001.

## **International labour framework agreements**

Transnational corporations and international federations of trade unions have together developed framework agreements. These agreements establish a relationship between workers and companies that can help to resolve problems and avoid conflicts. The agreements set out principles for harmonious relations between business and workers and address issues such as worker rights and supplier relations. Corporations may find these principles attractive, since workers are likely to be intimately familiar with daily operations, and the reporting system is straightforward and familiar. Compliance with such agreements may also reduce criticisms from third parties. For more information, go to the Global Unions website ([www.global-unions.org](http://www.global-unions.org)).

## **Progressive Aboriginal Relations**

The Progressive Aboriginal Relations program ([www.ccab.com/par.htm](http://www.ccab.com/par.htm)) sets out a framework under which companies can establish performance benchmarks to help them develop mutually beneficial relations with Aboriginal people, businesses and communities, and to assess their own progress over time. Developed by the Canadian Council for Aboriginal Business and embracing ISO and Baldrige-type quality principles, the program is built on the premise of companies setting their own goals and then self-assessing the results against those goals.

The program is also a way for both Aboriginal and non-Aboriginal businesses to earn the right to use an identifying hallmark. This hallmark, used on corporate communications material, tells Aboriginal communities that an organization is committed to sustainable Aboriginal employment and business development by building individual capacity and enhancing community relations.

## **SA8000**

Social Accountability International ([www.sa-intl.org](http://www.sa-intl.org)) is a U.S.-based non-profit organization dedicated to developing, implementing and overseeing voluntary and verifiable social accountability standards. Social Accountability International developed a standard for workplace conditions and a system for independently verifying compliance. The standard, SA8000, and its verification system draw from established business strategies for ensuring quality (such as those used for ISO 9000) and include several elements that international human rights experts have identified as essential to social auditing. SA8000 is based on the principles of international human rights norms as delineated in International Labour Organization conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights.

## **Transparency International Business Principles for Countering Bribery**

In December 2002, Transparency International, in a joint initiative with Social Accountability International, published Business Principles for Countering Bribery. The principles are intended to be a comprehensive reference for companies on good practices to counter bribery. The principles can be downloaded from [www.transparency.org/content/download/561/3429/file/BPCBfinal.pdf](http://www.transparency.org/content/download/561/3429/file/BPCBfinal.pdf)