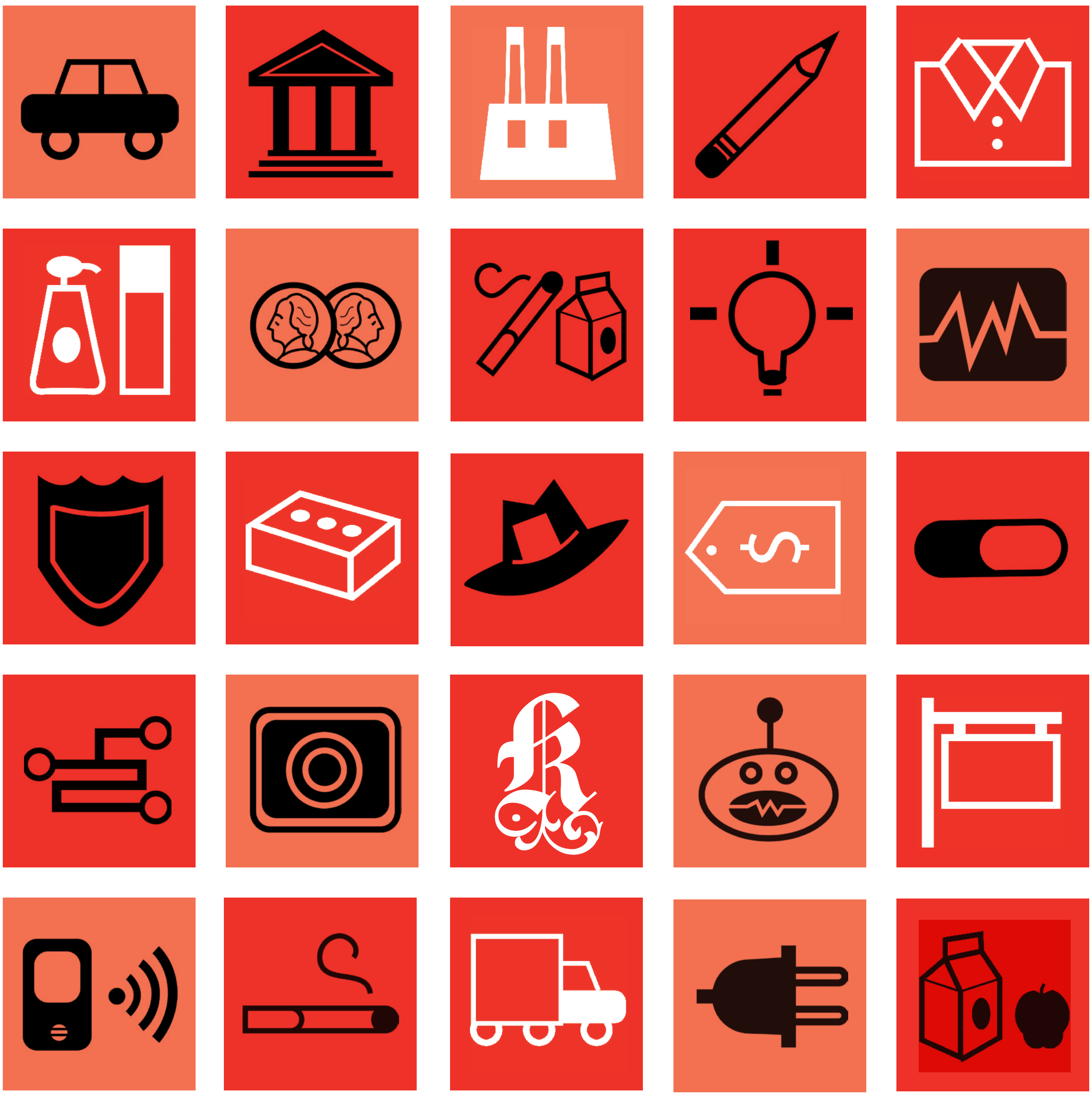
THE BEST

50 CORPORATE CITIZENS



THERE IS GROWING RECOGNITION AMONG THE COUNTRY'S BIGGEST COMPANIES THAT BUSINESS-AS-USUAL ISN'T A SUSTAINABLE OPTION OVER THE LONG TERM.

BY TYLER HAMILTON

It's May 1, rush hour, and I'm sitting on a crowded Toronto streetcar brought to a halt at the intersection of Queen Street West and University Avenue, one of the busiest parts of the city and not far from the heart of Canada's financial district.

Police are everywhere and in the distance about a thousand protesters approach. There is chanting and drumming and the hoisting of signs in support of "the 99 per cent," and mixed among them are banners condemning corporate profits made at the expense of the planet and its people.

This is one of many May Day protests being played out across the country – across the continent – and it's a reminder that the Occupy movement didn't go away. It was only hibernating, conserving its strength in preparation for the second of what will likely be many outbursts to come.

This "vivid expression of a broader anxiety" – as U.S. President Barack Obama described it in an April interview with Rolling Stone magazine – may seem worlds apart from the discussions taking place in the boardrooms of corporate Canada. On a very basic level, however, there is growing recognition among the country's biggest companies that business-as-usual isn't a sustainable option over the long term.

It's why corporate social responsibility is on the rise, and why more investors are pushing corporations to take CSR beyond window dressing by turning it into a pursuit for that triple bottom line: people, planet and profit, each dependent on the others.

Corporate Knights' 11th annual Best 50 Corporate Citizens in Canada is a reflection of that pursuit, and a measure of its progress – be it evidence of increasing diversity in the boardrooms of the nation or more efficient use of energy, water and the natural resources that are the pillars of our economy. The meaning of corporate citizenship has evolved from philanthropy as a side project to how corporations can change the world for the better through their individual core competencies.

There is much to celebrate in this year's Best 50 ranking. On average, 19.77 per cent of directors on corporate boards are women, up from 16.86 per cent in 2011. Representation of visible minorities or aboriginals on boards also went up slightly, to 4.53 per cent from 3.57 per cent a year earlier.

The number of corporations with a sustainable development-themed board committee also increased, most noticeably in the materials, industrials and consumer sectors. This year 88 per cent of companies overall had such a committee, compared to 76 per cent in 2011 and 68 per cent in 2010.

In some sectors there was an increase in the number of corporations that tied a senior executive's compensation to sustainability targets. This was most evident in the energy sector, where 88 per cent of companies have created this compensation link compared to 76 per cent in 2011 and only 41 per cent in 2010. The financials sector made significant progress as well, with 50 per cent of companies having an executive compensation link compared to 36 per cent last year.

All wasn't good news. The average percentage of defined benefit pension plans that are funded is down again this year, as is the average percentage of statutory taxes that was paid.

"It's not surprising," said Michael Yow, lead analyst with CK Capital, this magazine's sister research division. "Companies are looking for ways to keep cash during more trying economic times, so they're looking for any possibility to take advantage of any and all tax loopholes."

On the funded status of pension funds, Yow said it's a bad time overall for making investments. "If your RRSPs are affected you can expect your pension funds to be affected. It's difficult for fund managers to produce decent returns in the current economic climate."

Despite these difficult times many companies are making great strides, including this year's winner, Desjardins Group (see profile on p.30). "Increasing efficiencies can only be achieved by a change in people's attitudes and behaviour," said Yow. "Within a corporate environment this requires the right policies with the right incentives. Desjardins has done this beautifully."

There are some surprises on the Best 50, such as scandal-rocked SNC Lavalin (ranked 11th this year). The Montreal-based engineering firm has been in hot water over suspicious payments to certain executives with close ties to the family of former Libyan dictator Moammar Gadhafi. At least one executive has been charged with fraud and corrupting a public official.

While these events dominate current perceptions of the company they represent a small part of SNC's overall impact, including its leadership on energy efficiency and low-carbon energy projects. Our methodology does not bend to news cycle gyrations, but is firmly grounded in transparent objective operational metrics, on many of which SNC scores highly.

Still, it's a reminder that these are early days in the age of clean capitalism. The size and volume of future Occupy protests may prove one valuable barometer of changing corporate attitudes and actions in the years ahead.

DUE CREDIT

Desjardins, the country's largest financial cooperative, makes big gains to top CK's ranking of Best 50 Corporate Citizens.

BY TARA PERKINS

For decades now, employees of Desjardins have been able to hop on one of the company's shuttle buses to commute between its offices in Montreal and Levis, Que.

The shuttles, which are decked out with space to work at laptops, make nearly 800 trips per year, carrying close to 20 employees each time. Desjardins estimates that if those people were to drive on their own, close to 600 tonnes of greenhouse-gas emissions would be released.

But those annual emissions savings weren't enough for Desjardins. In the last couple of years, it has been putting a big push on alternative transportation in an effort to further cut its environmental footprint. Some of the emphasis has shifted from buses to bikes.

The financial institution, which has 42,500 employees in Canada, has offered staff 50 per cent off the registration fee for the BIXI bike-sharing program along with workshops on tuning up a bike for people who use their own. It has also given out free three-month passes to try public transit, held regular draws for free bus and metro passes, and created a company carpooling program. Along the way the cooperative behemoth has notched a 30 per cent improvement in its energy productivity ramping revenue per gigajoule of energy consumption from $5,144 (U.S.) in the 2011 survey to $7,187 for 2012.

But if this was all that Desjardins was doing, it wouldn't matter that much, as a financial institution makes its central impact on society via its financial operations. And it is on this score that Desjardins rose above the pack to claim top spot among Canada's 2012 Best 50 Corporate Citizens in Canada. For example, to assist customers who have run into severe financial difficulty and are often excluded from conventional credit networks, it offers free budget advisory services and "tide-over" loans of up to $500 that can be paid back without interest over 24 months.

Small businesses can tap into microcredit. Homeowners can take out green mortgage loans to pay for energy-efficiency retrofits. For customers who purchase fuel-efficient vehicles, such as hybrid-electrics, Desjardins offers discounts of between 10 and 15 per cent on auto insurance premiums. It also offers low-cost home insurance to low-income earners. Its socially responsible mutual funds, meanwhile, have seen a doubling of assets under management to $506 million in 2010, up from $259 million a year prior.

Progressive actions are also visible at the board and management levels. Desjardins now boasts one of the lowest differentials between CEO compensation and average employee pay. It has also bolstered its standing in the rankings by linking executive compensation to the achievement of sustainability-related performance targets and growing the proportion of women on its board.

Chief executive Monique Leroux suspects that Desjardins has a bit of an advantage over some corporate contenders because of its status as a cooperative; it works for its members, rather than investors.

"If you read our mission, it's a very special mission," says Leroux. "It's really to contribute to improve the economic and social well-being of people and communities. It's not just a question of making money. And that philosophy – although we are not perfect – is spread throughout our network."

Desjardins was founded by Alphonse Desjardins who, in the final years of the 19th century, had a job as a French language stenographer in the House of Commons. In Quebec at that time the banks concentrated on wealthy individuals, and at work one day Desjardins heard a member of Parliament talk about how regular working-class people were being charged interest rates of up to 3,000 per cent. That inequity led him on a quest to find a better solution for average people who needed to tap into finance.

With more than $190 billion in assets, Desjardins is now the biggest financial institution in Quebec and the biggest cooperative financial group in Canada. It is made up of a network of financial services cooperatives, including credit unions, life and general insurance companies as well as securities, venture capital and asset management businesses. It has 5.6 million members and its profits prior to paying out dividends to its members amounted last year to $1.58 billion.

Leroux says that innovation at Desjardins comes from decentralization, with employees at each of the company's 450-plus caisses contributing ideas.

Although her pay package, at nearly $2.1 million, is still 33 times that of the average staff member at the company, it's one of the lowest ratios among the companies included in the *Corporate Knights* survey. Desjardins, which has both unionized and non-unionized employees, has a pay equity policy based on the principle of equal pay for equal work. "It is important for employees to have a comparable salary and remuneration," Leroux says.

Desjardins has chosen to continue offering its employees a defined benefit pension plan at a time when many firms are abandoning the costly retirement vehicles. The plan's funding status actually improved since the last ranking by *Corporate Knights*, rising by four percentage points to 70.5 per cent funded.

And the compensation of some executives, such as Serge Cloutier, executive vice-president of cooperative development and democratic governance support, is tied to sustainability targets.

As a result of governance changes, Desjardins' board of directors is now nearly half women, and the company still has further goals when it comes to improving the diversity in its ranks. This year it formed an advisory committee of 25 elected officers to discuss the evolution of governance.

"It's a question of having the right mix of people in the ranks of the top management," says Leroux.

THE BEST

50 CORPORATE CITIZENS

Rank	Company	GICS Industry Group	Overall Score	Energy Productivity	Carbon Productivity	Water Productivity	Waste Productivity	% Tax Paid	% Women on Board	% Minorities on Board	Clean Capitalism Pay Link	Sustainability Themed Board
1	Desjardins Group		84.36%	$7,187	N/A	N/A	N/A	73.35%	37.00%	0.00%	Yes	Yes
2	Vancouver City Savings C.U.		83.86%	$9,959	$129,683	$20,676	$12,922,399	96.62%	66.67%	11.11%	Yes	Yes
3	Co-operators Group		82.21%	$23,058	$227,083	N/A	N/A	92.09%	18.18%	4.55%	Yes	Yes
4	Canadian National Railway Co		79.12%	$137	$1,686	N/A	$135,428	41.04%	15.38%	0.00%	Yes	Yes
5	Royal Bank of Canada		77.88%	$12,196	$140,752	N/A	N/A	87.92%	31.25%	6.25%	Yes	Yes
6	Mountain Equipment Co-op		76.09%	$6,229	$33,665	N/A	$313,336	43.15%	71.43%	14.29%	No	Yes
7	Hydro One		75.62%	N/A	N/A	N/A	N/A	43.83%	33.33%	8.33%	Yes	Yes
8	Enbridge Inc		74.98%	$671	$3,195	N/A	N/A	22.28%	8.33%	0.00%	Yes	Yes
9	First Quantum Minerals Ltd		74.65%	$663	$8,102	N/A	$49	100.00%	0.00%	0.00%	Yes	Yes
10	HSBC Bank Canada		74.26%	$12,806	$187,137	$21,333	$2,110,071	100.00%	33.33%	11.11%	Yes	No
11	SNC-Lavalin Group Inc		73.22%	N/A	N/A	N/A	N/A	40.31%	25.00%	0.00%	Yes	Yes
12	Enmax Corporation		73.20%	N/A	$190	N/A	N/A	93.20%	16.67%	0.00%	Yes	Yes
13	Nexen Inc		72.42%	N/A	$880	$1,613	$46,188	100.00%	7.14%	0.00%	Yes	Yes
14	Canadian Pacific Railway Ltd		72.26%	N/A	$1,509	N/A	N/A	3.62%	20.00%	0.00%	Yes	Yes
15	Cascades Inc.		70.99%	$142	$7,928	$103	N/A	100.00%	8.33%	0.00%	No	Yes
16	Encana Corp		70.90%	$120	$1,352	N/A	N/A	98.43%	27.27%	0.00%	Yes	Yes
17	Suncor Energy Inc		70.87%	$126	$1,734	$240	$90,269	80.20%	15.38%	7.69%	Yes	Yes
18	Magna International Inc		70.53%	N/A	$18,301	N/A	N/A	91.50%	10.00%	0.00%	No	Yes
19	Talisman Energy Inc		70.11%	$129	$524	$2,239	N/A	100.00%	18.18%	0.00%	Yes	Yes
20	Toronto-Dominion Bank/The		69.98%	$9,093	$104,313	N/A	N/A	60.74%	37.50%	0.00%	Yes	Yes
21	Kinross Gold Corp		69.55%	$276	$3,185	$71	$20	100.00%	10.00%	0.00%	Yes	Yes
22	Teck Resources Ltd		69.50%	$208	$3,467	$73	$14	46.76%	14.29%	21.43%	Yes	Yes
23	Hydro-Québec		69.20%	N/A	$22,069	N/A	N/A	0.00%	43.75%	0.00%	No	Yes
24	Inmet Mining Corp		69.08%	$526	$6,944	$90	$54	85.62%	0.00%	0.00%	Yes	Yes
25	Viterra Inc.		68.56%	N/A	N/A	N/A	N/A	20.38%	7.69%	0.00%	Yes	Yes

GICS Industry Group Legend

- **Automobiles & Components**
- **Banks**
- **Capital Goods**
- **Commercial & Professional Ser.**
- **Consumer Durables & Apparel**
- **Diversified Financials**
- **Energy**
- **Food Beverage & Tobacco**
- **Food & Staples Retailing**
- **Insurance**
- **Materials**
- **Retail**
- **Transportation**
- **Utilities**

Rank	Company	GICS Industry Group	Overall Score	Energy Productivity	Carbon Productivity	Water Productivity	Waste Productivity	% Tax Paid	% Women on Board	% Minorities on Board	Clean Capitalism Pay Link	Sustainability Themed Board
26	Stantec Inc.		66.99%	$4,357	$35,440	$3,414	$298,123	100.00%	12.50%	0.00%	No	No
27	Agrium Inc		66.56%	$118	$3,416	$494	N/A	82.99%	27.27%	0.00%	Yes	Yes
28	EPCOR Power LP		66.53%	N/A	N/A	N/A	N/A	63.58%	16.67%	0.00%	Yes	Yes
29	Cenovus Energy Inc		66.08%	$184	$2,579	$1,011	$23,905	74.86%	11.11%	0.00%	Yes	Yes
30	BC Hydro and Power Authority		65.99%	N/A	$11,531	$187	$305,923	0.00%	30.00%	10.00%	No	Yes
31	Imperial Oil Ltd		65.50%	$134	$2,145	N/A	N/A	75.09%	28.57%	0.00%	Yes	Yes
32	Agropur Coopérative		65.41%	N/A	N/A	N/A	N/A	92.67%	13.33%	0.00%	No	Yes
33	Agnico-Eagle Mines Ltd		65.28%	$254	$4,855	$241	$11.60	79.54%	14.29%	0.00%	Yes	Yes
34	Canadian Tire Corp Ltd		64.54%	$8,509	$145,066	N/A	N/A	84.55%	12.50%	0.00%	Yes	Yes
35	Domtar Corp.		64.13%	N/A	$1,264	$23	N/A	24.71%	8.33%	0.00%	Yes	Yes
36	Yamana Gold Inc		64.06%	N/A	$5,484	$134	N/A	61.72%	0.00%	20.00%	Yes	Yes
37	Cameco Corp		63.80%	N/A	N/A	N/A	N/A	41.76%	16.67%	8.33%	Yes	Yes
38	IAMGOLD Corp		63.01%	$261	$4,273	$32	$7.44	84.59%	0.00%	9.09%	Yes	Yes
39	Husky Energy Inc		62.67%	N/A	$2,338	N/A	N/A	85.23%	14.29%	50.00%	No	Yes
40	Bank of Montreal		62.56%	$7,385	$93,075	N/A	$2,690,514	52.63%	25.00%	0.00%	Yes	Yes
41	Canfor Corporation		62.40%	$247	$6,691	N/A	N/A	0.00%	0.00%	0.00%	No	Yes
42	TMX Group Inc.		62.33%	N/A	$209,436	N/A	N/A	100.00%	25.00%	8.33%	No	No
43	Capital Power Corp		62.27%	$39	$147	$29	$1,703	22.86%	8.33%	8.33%	Yes	Yes
44	TransCanada Corp		62.13%	N/A	N/A	N/A	N/A	26.81%	21.43%	0.00%	Yes	Yes
45	Loblaw Companies Ltd		61.79%	N/A	$26,819	N/A	N/A	73.59%	18.18%	0.00%	No	Yes
46	Sun Life Financial Inc		61.53%	$5,840	$91,151	$4,972	$1,075	83.67%	14.29%	0.00%	Yes	No
47	Sears Canada Inc.		61.13%	N/A	N/A	$6,953	$187,752	100.00%	25.00%	12.50%	No	No
48	Barrick Gold Corp		60.82%	$220	$2,220	$140	$24	90.90%	7.14%	14.29%	Yes	Yes
49	Rona Inc.		59.40%	N/A	N/A	N/A	N/A	100.00%	23.08%	0.00%	No	No
50	Catalyst Paper Corporation		58.80%	$23	$997	$10	$4,600	0.00%	0.00%	11.11%	Yes	Yes

Metric Definitions

Energy Productivity: Revenue per gigajoule of energy consumption.

Carbon Productivity: Revenue per tonne of direct/indirect GHG emissions.

Water Productivity: Revenue per cubic metre of water withdrawal.

Waste Productivity: Revenue per tonne of produced waste.

% Tax Paid: Percentage of reported tax obligation paid in cash.

% Women on the Board: Percentage of women on board of directors.

% Minorities on the Board: Percentage of minorities on board of directors.

Clean Capitalism Pay Link: At least one senior executive's compensation tied to clean capitalism-themed performance targets.

Sustainability Themed Board: Board has at least one subcommittee with ESG mandate

ADAPTING TO THE NEW NORMAL

"Resilience is the long-term capacity of a system to deal with change and continue to develop... for a society it involves an ability to deal with political uncertainty or natural disasters in a way that is sustainable in the long term." — *Stockholm Resilience Centre*

BY SANJAY KHANNA

James Hansen is director of NASA's Goddard Institute for Space Studies and one of the world's most respected climate scientists. Earlier this year he spoke at the prestigious TED conference in Long Beach, Calif., and stated what may seem a non-threatening fact: data collected from 3,000 Argo floats that record temperatures around the world's oceans at different depths showed that the earth's energy imbalance is precisely "six-tenths of a watt per square metre." The calculation represents the extra energy, trapped in the earth's atmosphere, which feeds global warming.

Then came Hansen's kicker.

"That may not sound like much," he remarked, "but when added up over the whole world... it's the equivalent to exploding 400,000 Hiroshima atomic bombs per day, 365 days per year. That's how much extra energy earth is gaining each day."

According to Hansen, this may be an unfortunate precursor to what could amount to global sea-level rise of between one and five metres during this century.

Welcome to the new normal.

The new normal is a period of human history when natural disasters tied to climate change and political uncertainties related to economic and financial distress are all too common. Yet, it's mainly the economic and financial crises we face that dominate the concerns of businesses, governments and citizens. After all, there are bond haircuts, eurozone panics, morally dubious investment banks, unmanageable consumer debts, employment uncertainties, and popular protests surrounding the "one per cent" to contend with.

But organizations and people tend to adjust in a reactive fashion to our predictably unpredictable business climate – what some experts describe as one of "permanent volatility" – and the deteriorating condition of our planet. To be proactive in this unstable operating environment would require that companies, as well as local, regional and national governments, prioritize resilience. Put another way, they need to build and retain the capacity to cope with various shocks in the system, including those related to energy, sovereign debt, currency markets, supply chains, consumer sentiment, employee concerns, as well as that contentious wild card, climate change.

Embedded in the concept of permanent volatility is the underlying risk of being blindsided by unexpected circumstances not just once, but again and again. Permanent volatility requires that organizations develop the capacity to be knocked down, to get up, and to take steps to re-stabilize. This is the rationale for why resilience is central to adaptation amid the 21st century's "uncharted waters," an era future historians may judge to have endured the greatest public loss of political, economic and financial flexibility in modern history.

Between 2007 and 2010, for example, funds allocated by the United States, European Union and other G8 nations to promote macroeconomic stabilization amounted to roughly $17 trillion, according to political economists Stephen Gill and Isabella Bakker at York University in Toronto. A significant percentage of these monies was dedicated to private-sector bailouts. These funds are unlikely to be recouped and thus may contribute to the public sector's lack of financial flexibility in countering long-term risks, including the potential need to restructure long-term debt, as well as find additional funding for civil preparedness and infrastructure hardening related to climate adaptation.

Permanent volatility and resilience are two sides of the same coin. Heads is about potentially dramatic spikes in input costs and debt financing affecting social, economic and institutional spheres – the stuff of daily life. Tails represents the capacity of citizens, communities, institutions, businesses and governments to adapt to abrupt shifts in normalcy. A reduction of political, economic and financial flexibility caused by rising sovereign and consumer debt is one area that could negatively impact societal resilience. The other enemy of resilience is a lack of preparedness, where credible warnings from climate science, for example, are disconnected from political consensus and thus fail to elicit institutional commitment.

Gordon Price is director of the City Program at Simon Fraser University in Vancouver. As a six-time city councillor he's acutely aware of the municipal planning process and how aligning long-term risk assessment with immediate political and economic reality is an increasingly tough challenge. About two years ago, Price started hearing about resilience in planning circles. "There was recognition that with climate change we won't be able to stop or mitigate it," he said. "So how do cities respond to circumstances that are locked in?"

One conceptual approach is the resilient city. According to Price, "a resilient city is probably more compact, with infrastructure that is newer and well maintained, thus more able to respond to emerging threats such as sea-level rise." Price has also explored adaptation to change through methods such as scenario planning. "I've been to some scenario casting, looking at implications of the opening of the Northwest Passage (due to accelerated melting of Arctic ice)," he said. "You run into problems because there's a trade-off around what you'll do today for an unknown risk tomorrow.

"Certain actions have been taken (to counter risk), but does it match up to the scale of the threat? Probably not."

RESILIENCE IS DE RIGUEUR IN SOME QUARTERS PRECISELY BECAUSE IT INDICATES WE'RE FACING DIRE CONDITIONS FOR WHICH WE'RE NOT ADEQUATELY PREPARED.

Indeed, the scale of the threat is staggering: the most credible recent estimate of climate change impacts between now and 2060 – globally, across water, health, infrastructure, coastal zones and ecosystems – equates financially to a stunning $1,240 trillion, according to estimates from a 2009 study by the International Institute for Environment and Development and the Grantham Institute for Climate Change, both based in London, England. The study estimated that spending $6 trillion on adaptation during that period would reduce impacts by $350 trillion. Clearly, adaptation pays off.

Like public institutions and government, corporations must manage trade-offs between market reality and long-term strategic planning. Based on my work in corporate futurism, some business strategists do understand the long-term threats posed by permanent volatility. Yet, they're hamstrung because organizational resources are taken up in addressing today's challenges surrounding volatility – not tomorrow's. Thus, as one would predict, adapting to today trumps adapting to tomorrow.

Rob Abbott is a consultant based in Victoria who has worked with clients such as Walmart Canada on corporate sustainability initiatives. "The resilience discussion is dominated by the sectors you'd expect: academia, some non-governmental organizations and governments," said Abbott. "The question when people talk about resilience is what they mean by it. At present, just as with sustainability, the concept risks being balkanized into economic resilience, social resilience, environmental resilience, and so on, just when we're entering a period of long-term disequilibrium and should see the bigger picture."

The challenge of addressing permanent volatility through resilience must not remain at the margins of business operations, but should extend to the core. For the past decade, Fortune 500 organizations, such as FedEx, UPS and Walmart, have emphasized adapting global supply chains to contingencies such as natural disasters, sea-level rise and regional political disturbances. Disasters such as the Fukushima Daiichi nuclear plant meltdown last year in Japan, for example, have raised fundamental doubts about the practicality of just-in-time manufacturing among both businesses and governments. This is in part because such a masterfully choreographed approach to manufacturing and delivering products to market isn't resilient enough, even when unexpected events may limit disruption to only a few days.

"Have we put in the necessary investments that will allow us to adapt to the change and seize the opportunity for transformation?" asked Abbott. With regard to crisis and opportunity, he added, "It's only an opportunity if we are prepared." And that, truly, is the key to resilience. Are we – as individuals, communities, corporations, and municipal, regional and national governments – prepared for the contingencies for which we have solid evidence?

It appears we are not. The commitment isn't there, and neither are the investments. Resilience is de rigueur in some quarters precisely because it indicates we're facing dire conditions for which we're not adequately prepared. The language of resilience is a warning sign that civil society must get ready to absorb large-scale setbacks to business – and to life – as usual.

A time of permanent volatility is, in essence, a time of constant readiness, of tapping into the deepest well of strength and wherewithal that would empower highly intelligent and humane responses to catastrophic disruptions.

"Few I talk with in the corporate movement understand resilience in the long term," said Gregory Greene, a documentary filmmaker and resilience commentator who worked on a project called "Confronting Comfort" for the BMW Guggenheim Lab, a think tank and mobile laboratory aimed at stimulating discussion and ideas around environmental and social responsibility. "You have to lay out the ideas and the context, so when an oil or financial shock comes, you have the people with the ideas and the answers. In that moment, you can implement some of those ideas."

Greene may be right. The wise only speak when people will listen. And many of us, individuals and organizations alike, aren't ready to listen. Those who are up for listening may not be in a position to act. Either way, little progress will be made until a serious strategic conversation about resilience takes place and is acted upon.

The new normal, after all, is here.

TOP FOREIGN CORPORATE CITIZENS

The Top Foreign Corporate Citizens represent corporations with substantial operations in Canada who are leading the way on corporate citizenship and have their main headquarters in another country.

Company Name	Country
Honda Canada Inc.	Japan
IBM Canada Ltd.	United States
Toyota Canada Inc.	Japan
Hewlett-Packard Co.	United States
Nissan Canada Inc.	Japan
Siemens Canada Ltd.	Germany
Lafarge Canada Inc.	France
RSA Canada Group	Great Britain
Cisco Systems Canada Co.	United States
BASF Canada	Germany
Kia Canada, Inc.	South Korea
L'Oréal Canada Inc.	France
SAP Canada Inc.	Germany
Direct Energy	Great Britain
Xerox Corp. Inc.	United States
Johnson Controls LP	United States
ING Bank of Canada	Netherlands
Aviva Canada Inc.	Great Britain

METHODOLOGY

The methodology for the 2012 Best 50 Corporate Citizens of Canada is based on environmental, social and governance (ESG) indicators found in the public domain. Scores were based on the following indicators, when available:

ENVIRONMENTAL

Energy productivity: sales (US$) per total indirect and direct energy use in gigajoules; Carbon productivity: sales (US$) per total C02 equivalent emissions in tonnes (scope 1 and 2); Water productivity; sales (US$) per total water use in cubic metres; Waste productivity: sales (US$) per total waste produced in tonnes

SOCIAL

Ratio of highest-paid executive renumeration to average employee pay; Number of no-lost-time and lost-time accidents and fatalities per one million hours worked; Average percentage of statutory taxes paid over the last four fiscal years; Funded status of benefit obligations under defined benefit pension plan

GOVERNANCE

Existence of sustainable development-themed board committee (environment, health, safety and corporate responsibility); Existence of a link between sustainability criteria and a senior executive's compensation; Percentage of women, aboriginal and visible minorities on board of directors

TRANSPARENCY

Existence of a Global Reporting Initiative report by company (evaluation based on adherence level and declaration level); Percentage of voluntary data points (resource productivity and injuries) reported

RELATIVE CORE BUSINESS IMPACT

This indicator examines companies based on relevant environmental and social impacts that go beyond strict resource use. For a list of relative core business impact indicators by sector, go to corporateknights.com/best50methodology

Verification of numbers was also performed based on anomalous data. The scoring methodology for the 2012 list is modeled from the Global 100 Most Sustainable Corporations in the World methodology, including criteria for inclusion. For more information, go to corporateknights.com/best50methodology

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MANDATORY REPORTING?

The quality of information in sustainability reports is rising, but it may be time to set basic standards for all.

BY CORY SEARCY

A growing number of Canadian corporations are publicly reporting on the economic, environmental and social impacts of their activities. This information is usually released in stand-alone reports with names like "sustainability" or "responsibility" in the title. But serious questions remain about the structure and content of such reports. Many corporations continue to struggle with the fundamental question: What information, precisely, should be shared?

Corporations have employed a variety of strategies to address this question, including reviewing published sustainability reporting guidelines, employing external consultants and consulting with their stakeholders. For example, the not-for-profit Global Reporting Initiative (GRI) offers guidance on setting reporting boundaries, organizing the document and selecting performance indicators, among other issues. Sustainability reporting awards, such as those run by the Canadian Institute of Chartered Accountants, offer further insights on expectations for reporting. Several major accounting firms, including Deloitte, PricewaterhouseCoopers and KPMG, now offer sustainability consulting services. A number of corporations have made sincere efforts to understand their stakeholders through public consultation, establishing advisory councils and other mechanisms.

Despite these efforts, there is an incredible range in the quantity and quality of information being shared. As one illustration of this, I recently co-authored a study that analyzed the indicators disclosed in 94 Canadian reports. The results, published in the *Journal of Cleaner Production*, showed that a total of 585 different indicators were reported. Of these indicators, only three – "funding, donations, sponsorship and community investments," "greenhouse-gas emissions" and "total employees" – were reported by more than 40 corporations. Over 70 per cent of the indicators were used by only one or two companies. Even the indicators suggested by the GRI were not consistently used. A separate search of the reports for indicators that were explicitly identified as GRI indicators found only 19 of the 79 recommended indicators were reported by more than 20 companies. It also showed major differences in reporting between and within industry sectors.

There are a number of possible reasons for the variability of information in corporate sustainability reports. As a term, "sustainability" is an ambiguous word that is subject to many interpre-

Benches at an open pit mine

tations. This is reflected in the range of titles used for reports, and continuing debate on which issues fall under the umbrella of sustainability. Further complicating matters is the belief that sustainability is highly contextual and that different approaches are needed in different industries, markets and regions. Data availability is another challenge. Significantly, reporting on sustainability performance is also largely a voluntary exercise in Canada. Corporations have considerable discretion in terms of choosing what information to share.

The reason is there are few mandatory sustainability-reporting requirements in Canada. Canadian financial institutions, including banks, insurance companies, trust and loan companies, are required to annually publish a "public accountability statement" containing information on community development goals, activities, philanthropic actions and a limited number of indicators. Under the Canadian Environmental Protection Act, companies may be required to report on pollutants they have released to the air, water and land. They may also be required to report on materials they have disposed of or recycled. The results are publicly available through the National Pollutant Release Inventory database, but there is no requirement to publish this data in a stand-alone corporate sustainability report. Given the uncertainty on what corporations should be reporting, these limited requirements raise questions on whether corporations should be obliged to report on other sustainability issues.

THE QUALITY OF INFORMATION IN SUSTAINABILITY REPORTS IS RISING.

More mandatory requirements would help standardize expectations on what should be in a sustainability report. This would improve the quality of the information shared, the comparability of the reports, and potentially raise their credibility with investors, non-governmental organizations and the general public. But given the extensive information that could potentially be reported, it is difficult to develop broadly applicable, prescriptive requirements for sustainability reporting. Questions related to the mandatory elements of the report, target audiences, reporting thresholds, data verification, accommodations for different sectors and enforcement would need to be resolved. Implementation of mandatory reporting would also provide no guarantee against manipulation of the information presented, as many scandals related to financial reporting have shown.

There's no question that the quality of the information presented in corporate sustainability reports has improved in recent years. Despite these meaningful improvements, a reader of many reports may be surprised at the wide variation in the scope, content, organization, length and quality of the reports. While some flexibility would need to be maintained, corporations must be clear about their interpretation of sustainability, their sustainability strategy, the scope of the report, sustainability goals and targets, key measures of performance, progress, successes and failures, and how the credibility of the information in the report was assured.

A limited set of mandatory requirements may bring some clarity to reporting on these issues.