

# 50

## CORPORATE KNIGHTS • 2003

# BEST

## CORPORATE CITIZENS

### IS OUR 'BEST 50' YET ANOTHER WHITEWASH?

**Whitewash:** [CK Defn.] *When a company tries to gloss over a messy social and environmental record through a glossy public relations campaign.*

**EARLIER THIS YEAR, THE WASHINGTON POST** ran a series of articles alleging that the Nature Conservancy—an environmental organization with an impressive track-record—was using its previously stellar reputation to help some of its corporate partners to whitewash their records as polluters.

This story got us to thinking about our decision to rank Canada's largest 100 publicly-traded firms. Are we unwittingly complicit in helping corporations to downplay some lamentable corporate practices? After all, some of the corporations that made our Best 50 list have a checkered past when it comes to social and environmental credibility.

Last issue we wrote a critical article challenging EnCana to step up their social responsibilities in Ecuador (see 'EnCana Responds' on our letters page). This issue, however, we pat them on the back, ranking the company 15th overall. To those readers who may accuse us of hypocrisy we have a simple response: no corporation—in Canada or anywhere in the world—has an unblemished social and environmental record. And when companies fail to live up to their own standards, we believe it is our job to call attention to their failings.

Once a year, however, we are committed to taking a holistic look at corporate performance across a wide range of social and environmental indicators—and it is this comprehensive ranking we are publishing in these very pages. We believe in the carrot *and* the stick—and though we congratulate every one of our Best 50 firms, we would be remiss if we failed to mention some of the skeletons in their corporate closets:

continued on page 33...

# THE 2003 WINNERS

*Does your company measure up?*

Rank	Company Name	Sector	Sector Rank	Industry (and sub-ranking)	Issue Areas
1	<b>Alcan Inc.</b>	Materials	1	Metals and Mining (1)	Environment (SILVER), International (GOLD)
2	<b>Royal Bank of Canada</b>	Financials	1	Banks (1)	Employee Relations (SILVER)
3	<b>Suncor Energy Inc.</b>	Energy	1	Oil and Gas (1)	Community (BRONZE), Employee Relations (BRONZE), Environment (BRONZE)
4	Nexen Inc.	Energy	2	Oil and Gas (2)	International (SILVER)
5	Cdn. Imperial Bank of Commerce	Financials	2	Banks (2)	International (BRONZE)
6	Bank of Nova Scotia	Financials	3	Banks (3)	
7	Domtar Inc.	Materials	2	Paper and Forest Products (1)	
8	<b>MTS Inc.</b>	Telecom	1	Diversified Telecommunications Services (1)	
9	Nova Chemicals Corp.	Materials	3	Chemicals (1)	
10	BMO Financial Group	Financials	4	Banks (4)	Community (SILVER), Employee Relations (GOLD)
11	<b>Enbridge Inc.</b>	Utilities	1	Gas Utilities (1)	
12	Shell Canada Ltd.	Energy	3	Oil and Gas (3)	Community (GOLD)
13	Terasen Inc.	Utilities	2	Gas Utilities (3)	
14	Dofasco Inc.	Materials	4	Metals and Mining (2)	
15	EnCana Corp.	Energy	4	Oil and Gas (4)	
16	<b>SNC-Lavalin Group Inc.</b>	Industrials	1	Construction and Engineering (1)	
17	Petro-Canada	Energy	5	Oil and Gas (5)	
18	BCE Inc.	Telecom	2	Diversified Telecommunications Services (2)	
19	<b>Fairmont Hotels &amp; Resorts Inc.</b>	Cons. Discr.	1	Hotels, Restaurants and Leisure (1)	
20	<b>MDS Inc.</b>	Health Care	1	Health Care Providers and Services (1)	
21	WestJet Airlines Ltd.	Industrials	2	Airlines (1)	
22	Manulife Financial Corp.	Financials	5	Insurance (1)	
23	The Toronto-Dominion Bank	Financials	6	Banks (5)	
24	Canada Life Financial Inc.	Financials	7	Insurance (2)	
25	Investors Group Inc.	Financials	8	Diversified Financials (1)	
26	<b>Cognos Inc.</b>	IT	1	Software (1)	
27	Magna International Inc.	Cons. Discr.	2	Auto Components (1)	
28	Quebecor World Inc.	Cons. Discr.	3	Media (1)	
29	Ensign Resource Service Group Inc.	Energy	6	Energy Equipment and Services (1)	
30	Goldcorp Inc.	Materials	5	Metals and Mining (3)	
31	Cdn. Utilities Ltd.	Utilities	3	Multi-Utilities & Unregulated Power (1)	
32	Noranda Inc.	Materials	6	Metals and Mining (4)	
33	Cameco Corp.	Materials	7	Metals and Mining (5)	
34	Transcontinental Inc.	Industrials	3	Commercial Services and Supplies (1)	
35	Cdn. Pacific Railway Ltd.	Industrials	4	Road and Rail (1)	
36	Finning International Inc.	Industrials	5	Trading Companies & Distributors (1)	
37	<b>Weston George Ltd.</b>	Cons. Staples	1	Food and Drug Retailing (1)	
38	Dupont Canada Inc.	Materials	8	Chemicals (2)	
39	Great-West Lifeco Inc.	Financials	9	Insurance (3)	
40	Brascan Corp.	Financials	10	Diversified Financials (2)	
41	CGI Group Inc.	IT	2	IT Consulting and Services (1)	
42	Placer Dome Inc.	Materials	9	Metals and Mining (6)	
43	CP Ships Ltd.	Industrials	6	Marine (1)	
44	Molson Inc.	Cons. Staples	2	Beverages (1)	
45	Teck Cominco Ltd.	Materials	10	Metals and Mining (7)	
46	Precision Drilling Corp.	Energy	7	Energy Equipment and Services (2)	
47	Rogers Communications Inc.	Cons. Discr.	4	Media (2)	
48	Cott Corp.	Cons. Staples	3	Beverages (1)	
49	Abitibi-Consolidated Inc.	Materials	11	Paper and Forest Products (2)	
50	Celestica Inc.	IT	3	Electronic Equipment and Instruments (1)	

**50**  
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Sector winners in bold

**Abitibi-Consolidated** has been pilloried for its environmental performance and its relationship with First Nations communities. One of Canadian Utilities' subcontractors is a military contractor. **Domtar's** current impressive enthusiasm for environmental dialogue follows several years of spotty performance. **Placer Dome's** international operations have come under fire from domestic critics. **Goldcorp** may be golden, but its environmental compliance record does not glow green. **Quebecor World** and **Shell Canada** have a poor record on emissions reductions. And the list goes on...

So how did these companies—and their brethren—wind up on our Best 50 list? First, we opted to evaluate every one of the TSX 100—even the companies that ply porn, guns, cancer sticks or booze. Why? Because the holier-than-thou attitude espoused by some of our CSR fellow-travellers leaves a bad taste in our mouths.

Second, we strongly believe that writing off entire industries eliminates any incentive for these firms to improve—a move that would be counterintuitive to everything Corporate Knights stands for.

Finally, our Best 50 designation is based on merit—but it is a lease that comes up for renewal every year. The Best 50 list was commissioned with one simple goal in mind: to drive companies to improve their performance through the carrot of positive reinforcement and the satisfaction that comes from outperforming their rivals.

Of course not everyone agrees with us. For a sense of how the other half thinks, we asked three players critical of CSR for their take on

whether our Best 50 is a whitewash or not. The one thing they agreed on is that winning a Best 50 Award should in no way allow companies to hang up their corporate responsibility hats. "If the best practice in an industry is still a practice that has massive negative impacts, it does not amount to good corporate citizenship," said Duff Conacher, coordinator for Democracy Watch and the closest thing to Ralph Nader this side of the 49th parallel (until June 4th, when Ralph himself will be in Toronto to speak at our First Annual Corporate Knights Roundtable Conference).


Jim Stanford, the chief economist for the Canadian Auto Workers, struck a more conciliatory note than usual, weighing in that "the general goal of trying to highlight companies that do a better job is not inherently wrong." But Mr. Stanford drew the line quickly. "I do deny that you term these companies to be good ethical citizens. Every company exists for one reason: to maximize wealth for its shareholders."

László Pintér, Director of International Institute Sustainable Development's Measurement and Indicators Strategic Objective, asked, "What does this have to do with sustainability? What is the best possible performance? Does the fact that Alcan is rated number one mean that if all companies operate on the level of Alcan today, we have made it. That we will then live in a sustainable world?"

All three also expressed concern about just what indicators determine our Best 50. To Mr. Pintér, "the devil is in the details." Mr. Conacher—who stands as a formidable roadblock to any possible bank mergers—took exception to the banks featuring so prominently in our ranking: "Any assessment of the

banks that has not looked at all the details of who the banks lend to, and all of their practices in terms of banking services, is not really judging whether the banks are responsible as banks but whether they are responsible as employers and generous to charity. Every corporation should be judged on whether it is responsible in its core activities."

On the question of whether our Best 50 ranking was a worthwhile endeavor, Mr. Stanford—a.k.a. CSR's number one Doubting Thomas—was surprisingly subdued. "I don't think it does any harm and it may do some incremental marginal good," he suggested, before recovering to add, "but I am not convinced of that." Perhaps Mr. Stanford, who during the conversation recalled spending 1984 in Zagreb studying Yugoslavia's market-friendly self-management system in 1984, has softened his usual scaly demeanor towards all things market-based? We were reassured, however, when Mr. Stanford advised us to "keep our eyes wide open to see how the capitalist system works."

To Mr. Conacher, the key is clarity: as long as we state up front that the Best 50 is based on incomplete information—and as long as the corporations themselves follow our lead—the CK Best 50 can be a useful tool. We'll give the last word to Mr. Pintér, who echoed Mr. Conacher by focusing on the problems associated with interpretation: "Frankly, we need to accept that because we are dealing with complex measures. It is unavoidable. It is constant struggle to make sure people interpret this in a progressive way." 

Toby Heaps is the editor of Corporate Knights.

## SMALL BUT BEAUTIFUL

Our "Best 50" list recognizes and rewards the top 50 corporate citizens among the 100 largest corporations from the TSX. Here are a few companies that were too small to qualify for the ranking but deserve recognition:

**Zenon Environmental Inc.**, a water purification company, earned our #1 ranking as Canada's Best Corporate Citizen in 2002. This year, the company was excluded. Yet Zenon is every bit as progressive a company as it was twelve months ago. Zenon continues to purify water around the world without the use of harmful chemicals, a strategy that has led to handsome profits.

**Husky Injection Molding Systems** is another Canadian corporation with an impressive record of community and environment commitment. Ranked by our October 2002 "Green Machine" issue as Canada's most environmentally responsible company last year,

Husky continues to streamline its product designs to reduce waste, while adopting an aggressive recycling program. Husky recycled or reused 95% of the potential waste generated by its operations last year.

**Tembec** is a leading integrated forest products company whose wood products, market pulp and paper is sold in over 50 countries. The company re-invests one per cent of pre-tax profits in its operating communities, and it employs two environmental management resource programs to facilitate responsible resource use: "Impact Zero," which aims to minimize the environmental impact of Tembec's manufacturing operations over the next five years; and "Forever Green, which promotes environmental protection and supports sustainable forest management.

**Mountain Equipment Co-op (MEC)** is a retail consumer cooperative. Since 1987, MEC has spent over \$4 million on protecting endangered wilderness areas, sponsoring environmental research and supporting grassroots advocacy, while building retail stores that are both architectural and environmental

marvels. Also, the company has used a Supplier Team Evaluation Process (STEP) since 2000 to ensure fair worker conditions and audit potential suppliers. Under this program, MEC employees "go to each factory and investigate standards that include employee health and safety, employment practices, legal compliance, and environmental issues." The last three years have seen 31 STEP audits conducted, representing over 90 percent of MEC-labeled products. MEC also uses an independent NGO to supplement and advise its auditing process.

**Westport Innovations** wants to help kick-start the next stage of the industrial revolution by creating technologies that allow diesel engines to operate on alternative fuels like natural gas. Westport wants to help companies kick their addition to oil-powered machinery by providing high-performance natural gas- and propane-powered engines. For companies looking to get green—and keeping one eye peeled for Kyoto-related regulations—Westport offers a low-emission alternative to the oil-based engines that symbolize the Age of OPEC. — **Daniela Kortan**

# FLEXING ITS MOLSON MUSCLE: HOW A BEER COMPANY MADE OUR BEST 50 LIST



As almost every Canadian male over the age of 19 knows, Molson is Canada's oldest brewery. Founded in 1786 in Montreal, the company was one of this country's first brands, and although Molson has since expanded into the US, Brazil and Australia, its products have retained their status as distinctly Canadian icons.

So how did Molson earn a spot on our list? The company excelled in two particular areas: environmental stewardship and community relations. The company introduced a written environmental policy in 2001, and within twelve months Molson had initiated comprehensive environmental monitoring programs in Canada and Brazil—programs running the gamut from regulatory compliance to education and training to monitoring and verification.

Molson's community relations strategy is surprisingly diverse. Yes, the company soothes its critics—through its "Don't Drink and Drive" initiatives—and caters to its core consumers—via its "Local Heroes" program (which refurbishes adult recreational facilities). But Molson has also thrown its support behind some non-traditional causes: AIDS education and literacy to name just two. Moreover, the company has publicly pledged to donate one per cent of its pre-tax profits to the Canadian charitable sector each year—a policy we wholeheartedly support.

Despite its evident commitment to social and environmental stakeholders, however, we have a hard time with the company's "I am Canadian" ads. Canadian nationalism is a laudable cause to support, but wrapping yourself in the flag to sell suds is—as the company's Montreal employees might say—a little bit gauche.

— Ross Wallace

# OUR RESEARCH PROVIDERS



ETHICSCAN CANADA LTD.

## ETHICSCAN

Ethicscan is Canada's oldest and largest full-service ethics consultancy. The company's mission is to provide individuals, businesses and organizations with the tools and research required to help both companies and consumers bring an ethical dimension to their training, managing, partnering, purchasing and investing decisions.

From its inception in 1989, Ethicscan has offered original independent research into the social, labour and environmental performance of 1500 Canadian organizations (Corporate 1500 Database©) research has helped both individuals and organizations benchmark their performance and improve their ethical decision-making.

## METHODOLOGY

Ethicscan researchers focus on ten key CSR criteria, ranging from community relations, top environmental performance and management, to employee relations to corporate governance. The company also ranks companies on two additional criteria - Canadian Content and Sensitive Business Activity ranking - but neither category is included in Ethicscan's overall rating and scoring system. The criteria, and accompanying grades and weights, reflect the opinions of over 50 experts who deliberate openly about changing definitions of corporate responsibility in what is called a "Modified Delphi Process."

## BOTTOM LINE

Ethicscan tends to emphasize performance and results - along with systems of disclosure and reporting - over aspirations, policies or guidelines. In addition to its independent research, Ethicscan regularly convenes its Modified Delphi Process that includes business persons, regulators, environmentalists, human rights advocates, and others. It is a member of the International Global Partners Research Group.



## SUSTAINABLE INVESTMENT GROUP

Founded in 1995 by Brian A. Schofield (CFA, MBA) and Dr. Blair Feltmate, Sustainable Investment Group Ltd. (SIG) has focused primarily on managing sustainable development-based mutual and pension funds. More than just a money manager, however, SIG also provides ongoing advice to companies looking to identify and amplify their sustainable strengths—and discover and mitigate their sustainable weaknesses. Working on an ongoing basis with corporations, government and NGOs, SIG continues to conduct research and analysis regarding the relationship between sustainable development and the creation

of shareholder value.

## METHODOLOGY

At the heart of SIG's work is its Sustainable Development Index (SDI), a proprietary management tool used to measure the sustainable performance of companies and to identify top tier practitioners. SIG's Sustainable Development Index focuses on 60-160 industry-specific environmental, economic and social measures to assess a company's performance - an approach that allows the company to distinguish the development impact of industries like the chemical sector (155 evaluation criteria) from industries like the financial sector (60 criteria). Companies that receive a SDI® score of greater than 70 per cent are considered top-tier practitioners of sustainable development—an accolade that may make them eligible for inclusion in Sustainable Development pension and mutual funds.

## BOTTOM LINE

At its core, SIG focuses on policies and procedures—an approach that covers four main areas: general, environmental, economy and society. Duration is another key component of the SDI—the SIG's grading system rewards companies based on both the rigour of the frameworks and the length of time that the program has been in place.



## INNOVEST

Innovest Strategic Value Advisors is an investment research and advisory firm that specializes in analyzing "non-traditional" drivers of risk and shareholder value—strategic governance, environment, labour relations and stakeholder capital. Founded in 1998, the firm currently has over US \$850 million under direct sub-advisory mandates. Innovest also provides custom portfolio analysis and research to leading institutional investors, as well as research and strategic advice to senior decision-makers from global Fortune 500 companies, national governments and leading international non-governmental organizations in over twenty countries. Innovest's global coverage extends through 4 international offices.

## METHODOLOGY

Using data collected from companies, NGOs, trade publications/reports, and governments, Innovest assesses the performance of companies within the competitive dynamics of their industries and sectors. This data—which is entered in a proprietary matrix with industry weightings calculated from actual stock returns—is used as background for a series of direct interviews with senior executives from across the firm.

## BOTTOM LINE

Innovest's analytical model is based on an explicit attempt to balance the social and environmental investment risks faced by companies, against their capacity to manage that risk (an excellent proxy for the overall management capability), an approach that concentrates on highlighting the link between sustainability and profitability.

## CORPORATE KNIGHTS BEST 50 METHODOLOGY

Although our 2003 and 2002 rankings use the same set of core criteria, there are three key changes in this year's methodology:

### MOVING FROM A SINGLE RESEARCHER TO THREE COMPLEMENTARY SOURCES

Last year, we used a single researcher—MJRA—to compile the social and environmental data for our First Annual Best 50 ranking. This year, we opted to enhance the rigour of our analytical process by using three independent research houses to compile our ranking.

However, we handed each of the researchers the same parameters: Use your methodology to assign a score of between -100 and +100 to each company in our five social and environmental categories (community, employee relations and diversity in the workplace, product safety and business practices, and international performance). In the case of one of our researchers that had already calibrated letter grades for companies in separate categories, we converted the letter to numeric form.

By expanding our research base, we created a ranking that incorporates three distinct approaches to the fledgling field of CSR metrics—one focusing more on policy, one emphasizing performance, and one that contains elements of both. Of course, we ran the risk of creating a research framework where the whole was less than the sum of its parts—i.e., where the different methodologies cancelled each other out. By introducing the concept of durability, however, we think any such concerns have effectively been eliminated.

The emphasis on durability means that companies are awarded not only for their policies and performance over the past 12 months, but also for demonstrating that their 2003 accomplishments are part of a sustained CSR strategy going back several years.

### PARING OUR COVERAGE FROM 300 TO 100 COMPANIES

In our first annual ranking, we plucked the Best 50 Corporate Citizens from the largest 300 companies on the TSX. This year, we decided to focus on the TSX 100 – the companies that employ the most people and attract the bulk of media attention and investor capital. However, this shift produced a disappointing side effect. Some of Canada's most environmentally innovative and socially conscientious firms were left out in the cold. So our collective apologies to Zenon Environ-

mental, Tembec, Husky Injection Molding Systems, CCL Industries and Westport Innovations. As a consolation, we direct these companies to our "Small and Beautiful" section on page 33.

### INCREASING THE WEIGHTING OF CORPORATE GOVERNANCE

When we initially assigned the weightings to our ranking categories in 2002, Corporate Governance was allocated a measly five per cent. This year we doubled its weighting to 10 per cent, to reflect both its increasing relevance and a more open and transparent corporate governance data source: the Globe and Mail's Best Board rankings that had since become available. In tandem, with the increase in the corporate governance increase, we cut 5 per cent of the product safety and business practices weighting, bringing its total significance to 20 per cent.

Of course, we acknowledge that ranking companies based on corporate responsibility metrics is an evolving science. Nor do we claim to have found the perfect formula. As a result, we will continue to be transparent in our methodology, open to suggestions and ready to expand or upgrade our research sources as opportunities arise. We welcome your suggestions and feedback.

### THE UNIVERSE

The 100 largest companies by market capitalization on the TSX as of December 31, 2002.

### THE WEIGHTINGS

The weighting schedule is based on a stakeholder model (shareholders, nature, employees, customers and citizens).

Community:	7.5%
Employee Relations/Diversity:	15.0%
Environment:	17.5%
Product Safety & Business Practices:	20.0%
International:	17.5%

Corporate Governance:	10.0%
Share Performance (5-year):	12.5%

### Notes:

- Corporate Governance scores are sourced from the Report On Business corporate governance rankings (2002).
- Share performance scores are provided by Sustainable Investment Group Ltd.

Visit [www.corporateknights.ca](http://www.corporateknights.ca) for a full overview.

## CORPORATE KNIGHTS

# Reader's Choice Editorial

Do you have an idea for an article, an investigative report, or a survey?

We'd love to hear from you.  
Drop us an email at

[info@corporateknights.ca](mailto:info@corporateknights.ca)

When submitting your ideas, please keep the following in mind: the story should be something that a business editor would want to put on the front cover. A story that could just as easily appear on the cover of the Economist as it could on Harper's.



## ISSUE AREAS

### ENVIRONMENT

- 1 Telus Inc.
- 2 Suncor Energy Inc.
- 3 Alcan Inc.
- 4 Dofasco Inc.
- 5 Royal Bank of Canada
- 6 Ballard Power Systems Inc.
- 7 Shell Canada Ltd.
- 8 Nexen Inc.
- 9 MTS Inc.
- 10 Nova Chemicals Corp.

### TELUS INC.

*Turning Green Into Gold*

Telus' environmental heartbeat is contained in its Environmental Management System (EMS)—a seven-stage process that is based on the International Organization for Standardization's ISO 14000 model. By subjecting its initiatives to each of the seven stages—objectives, targets, procedures, monitoring, communication, training and reporting—Telus has become one of Canada's greenest firms. And by mandating quarterly environmental reports to the Board of Directors—and by sending its employees to over 7000 environment-related training courses last year—the company has demonstrated its determination to spread its environmental consciousness from the CEO to the service tech.

Recognizing its achievements, last September Telus was included in the Dow Jones Sustainability Index for the second year in a row—simply the latest in a string of environmental accolades it has received over the past five years. Telus has also worked diligently to engage a broad range of external stakeholders in its environmental policymaking, from the Business Council of B.C. to the Recycling Councils of Alberta and B.C. Working through with the Information Technology Association of Canada (ITAC), Telus joined with other industry leaders to find responsible ways to dispose of the growing volume of electronic waste products.

However, one area where Telus can still stand to improve is its commitment to reducing greenhouse gas emissions. Over the next four years, the company has pledged to reduce energy consumption per unit of revenue gen-

## THE GOLD MEDAL WINNERS

erated by 10 per cent (using 2001 as a baseline). But Telus can reach this goal as long as its economic output sufficiently outpaces any increases in energy consumption—a strategy at odds with our belief in the necessity of absolute reductions in energy consumption.

### EMPLOYEE RELATIONS

- 1 BMO Financial Group
- 2 Royal Bank of Canada
- 3 Suncor Energy Inc.
- 4 Alcan Inc.
- 5 Dofasco Inc.
- 6 MTS Inc.
- 7 Bank of Nova Scotia
- 8 Nova Chemicals Corp.
- 9 CIBC
- 10 Canada Life Financial Inc.

### BMO FINANCIAL GROUP

*Banking on Its Employees*

Corporate Knights is simply the latest group to appreciate BMO's set of industry-leading employee relations practices. 2003 saw the bank included yet again on Mediaworld's list of Canada's Top 100 Employers—the only bank so honoured. As the company's 2002 Public Accountability Statement suggests, employee success and corporate success are symbiotically connected, and BMO has enacted a raft of policies designed to increase both sides of that equation.

BMO makes a concerted effort to promote diversity and equity among its employees. The company's innovative comprehensive program to accommodate its disabled employees is both responsive and sensitive—two adjectives rarely used to describe the operations of any large Canadian financial institution. Reflecting the diversity of the Bank's customer and its employees, BMO's Diversity Advisory Council draws members from all levels of the organization and creates a critical mass of corporate leaders comfortable managing diversity and aware of its tremendous possibilities.

In 1991, BMO launched its "Taskforce on the Advancement of Women." In the following 12 years, the Bank has made tremendous strides in attracting, retaining and promoting female executives. At the end of the 2002 fis-

cal year, 34 per cent of BMO's executive positions were held by women—an almost four-fold increase from 1991's nine per cent. Even more impressive is the fact that almost one out of every three BMO executive vice-presidents is a woman.

### COMMUNITY

- 1 Shell Canada Ltd.
- 2 BMO Financial Group
- 3 Suncor Energy Inc.
- 4 Royal Bank of Canada
- 5 CIBC
- 6 Alcan Inc.
- 7 Enbridge Inc.
- 8 Nexen Inc.
- 9 Telus Corp.
- 10 Molson Inc.

### SHELL CANADA LTD.

*Shelling Out for the Community*

Shell Canada puts its money where its mouth is. The company offers both financial and logistical support to a host of environmental, educational and community programs, and its generosity has given the Shell a well-deserved reputation for thoughtful, entrepreneurial philanthropy.

In 2002, Shell gave over \$1.7 million to schools and other educational institutions to help support life-long learning programs, fund scholarships and laboratory work and encourage children to stay in school. At the same time, Shell was donating \$1.6 million to environmental protection initiatives and partnering with Environment Canada and Canadian Geographic magazine to inaugurate the first-ever Canadian Environment Awards.

However, Shell's strength in community relations lies in the deep, lasting and constructive partnerships it has formed with First Nations' communities across Canada. From environmental monitoring and reclamation, to entrepreneurial support and educational initiatives, Shell's initiatives in the Fort McKay region are among the most progressive in Canada. The company has also sponsored a Sioux-language radio station and information service on the Stony reserve and hosted a tree blessing ceremony in conjunction with the

Woodland Cree First Nation.

By encouraging its employees to pursue cross-cultural training programs—and by building community relationships based on interdependence not dependence—Shell's best practices in this field support the company's contention that it "continues to work with Aboriginal communities in a spirit of trust, respect and understanding."

## INTERNATIONAL

- 1 Alcan Inc.
- 2 Nexen Inc.
- 3 CIBC
- 4 Royal Bank of Canada
- 5 Domtar Inc.
- 6 Ensign Resource Service Group Inc.
- 7 Suncor Energy Inc.
- 8 Teck Cominco Ltd.
- 9 Noranda Inc.
- 10 TransAlta Corp.

### ALCAN INC.


*A Shining Example Both At Home and Abroad*

Few Canadian companies can match Alcan's global reach. Our 2003 Gold Medal winner for international excellence—as well as Canada's Best Corporate Citizen this year—Alcan employs over 53,000 employees in 41 different countries.

Alcan's Burntisland facility in the UK was the first alumina, bauxite, and specialty chemicals plant to be certified by the British Standards Institute to compliant be OHSAS 18001—a set of occupational health and safety standards akin to the ISO 14001 environmental certification.

However, it is in the developing world where Alcan's operations have undergone the most profound evolution. In India and Bangladesh, Alcan has worked with local partners to create an affordable system to remove arsenic from drinking water. Demand for the product used to treat the water has soared and eight countries—including China and Thailand—have lined up to begin similar projects.

Alcan also demonstrates the ability to "think globally and act locally"—tailoring its development programs for individual communities are very different stages of development. In Ghana, Alcan has provided educational and medical support to communities devastated by the effects of AIDS. In Malaysia, the company supports a micro-business enterprise for students; in Brazil, free dental care is the name of the game.

However, any company with such diverse international operations will have a blot or two on its record, and Alcan is by no means the exception. In December 2000, during a conflict over the development of a mine in India in which Alcan has a major stake, Indian police shot and killed three protestors—a sobering reminder that tragedy can strike even Canada's best international corporate citizen. 

Jordan Gold is a research associate at Corporate Knights.



## COPING WITH THE FALLOUT:

*The Case for Cameco as One of Canada's Best 50*

Cameco's success also reflects an inescapable reality dominating the Canadian energy market: renewable energy operations simply do not produce enough energy to reverse our dependence on the Big Four—coal, hydro, nuclear and oil and gas. As a result, choosing between generating options will remain a difficult process for the foreseeable future.

Its proponents argue that nuclear energy offers three key economic advantages: it is cost-competitive (the second cheapest after hydro); its production costs are predictable; and it is clean. Now many of you will have read this last point and laughed. No, nuclear energy doesn't contribute to air pollution, but the storage and disposal of spent fuel is an issue that environmentalists—as well as the general public—have raised since the days of Three Mile Island and Chernobyl.

Nonetheless, we now live in the Age of Kyoto, and fears about global warming have overtaken concerns about spent fuel. As governments restrict and regulate emissions, Cameco—the world's largest uranium supplier—should continue to enjoy strong market fundamentals. And as long as public policy decisions continue to reflect and support Canada's expertise in all aspects of nuclear technology, we will continue to judge Cameco against our traditional set of CSR criteria.

So how did it fare in 2003? Three pillars support Cameco's CSR foundation: protecting the environment, promoting health and safety and building communities. Cameco adopted a formal environmental management system in 2000, and three years later the company spends over \$15 million a year—and employees over 125 staff—on environment and safety programs. Cameco has also obtained ISO 14001 certification on both its Blind River refinery and Port Hope conversion facility—and independent auditing process supervised by the International Organization for Standardization.

The company also mandates that each of its operations and subsidiaries adopt a formal health and safety management system—ensuring that policies are consistently created and applied across the company. On the community relations front, Cameco is a leader in integrating the concerns of northern and First Nations communities into its decision-making process (through its Athabaska Working Group)—and by using educating and informing its community stakeholders through public meetings and the company's CVMPP (Community Vitality Monitoring Partnership Process).

— Ross Wallace

## BIG OR PRIVATE

### St. Joseph's Printing

By committing 5% of its after-tax profits to charitable giving, the company has created an impressive philanthropic legacy. Although it lacks a written environmental policy, the St. Joseph's has comprehensive in-house recycling programs, ambitious waste-reduction targets, quarterly meetings of its Environmental Advisory Board and an external speakers program that brings green innovators on to the company's Concord campus. Nonetheless, St. Joseph's has yet to introduce a formal code of ethics or an external ethics advisory panel.

### Home Depot:

The company publicly commits itself to refusing to deal with any foreign or domestic vendor whose goods are produced through child or forced labour. Moreover, after consulting with the Rainforest Alliance, Home Depot Canada promised to forego selling or buying lumber from old growth redwood forests (a laudable policy some activists have criticized for its delayed implementation). On a more disappointing note, Home Depot Canada has yet to join the Imagine Canada campaign—whereby companies pledge to donate at least 1% of revenues to charity.

### Body Shop

Since opening its first Canadian store in 1980—a number that has now grow to 128—the company has won awards for the environmental design of its stores, for its progressive recycling policies and for its wide range of environment-friendly products. The Body Shop has adopted a global values and vision framework, which is reviewed and revised at an annual world franchisee summit held every February. — Ross Wallace



**What is the role of business in society?**

Our role is to create wealth and jobs, but at the end of the day we also have a broader responsibility to do our bit to ensure the system functions.

**Why is public faith in business at a low?**

One of the problems we have is that it is not that individuals in the business world are without ethics, it's that throughout the 80's and 90's a system evolved where it was common practice to do things that were improper. Of course there are examples of individual culpability. But the large portion of improper behaviour is a result of the incentives and structures that have been built into the system. It's like the 1841 book by Mackay [Extraordinary Popular Delusions and the Madness of Crowds]: the economy moves from bubble to bust, to cleaning up the mess and then back again. The good thing from all of this is that individuals will be forced to almost overcorrect. But we have to be careful not to go so far that we are hindering business from carrying out its obligation to create wealth and jobs.

**How far can we go to improve things?**

You don't want to overplay that card. We should be shooting for quality over quantity. Business has its place and Government likewise. You don't want the two to encroach on each other's territory. Corporations who focus too much on the shareholders and disregard the communities, employees and clients pay a very heavy price. Our community programs are also good business. If we can build trust in the communities, it will

enhance our business. It is important to do this for the right reason. If there is a good business reason to do something that benefits society, it is easier to get organisations moving in that direction. If you read a list of almost any corporation's values, they sound pretty familiar. They all have the word integrity. But our goal was how do you get individuals focused on measuring themselves based on the performance of their values?

**Philanthropy for tax breaks?**

I will be honest. It is inappropriate to correlate the two. The banks pay the most. We have a very high tax rate. Correlating philanthropy with taxes is really a mismatch. It's not the amount (\$35-40m) that we give that we are proud about. We are proud about how that process works and how our employees take part in it. We give away money because we make money. We have been voted the most socially responsible company seven years in a row by our peers.

**On Canadian brand superiority as an advantage in the marketplace?**

Absolutely, it's something we can leverage. Canada has the best system. We have found a healthy balance between capitalism and social policy. Part of it is due to our immigration policy, our diversity and our history. That is why we are such good peacekeepers. It is something that we have earned and something that we can leverage in the global marketplace. We have a balance that provides us with the ability to operate in places in which other companies from other countries would have more trouble. When we go into

anyplace we make a big commitment to the community.

**What's the motivation for being a good corporate citizen?**

Being a good corporate citizen is about values and value. Part of it is building the reputation of an organization. Part of it is mitigating reputation risk, which is increased when you do the wrong thing. It would be a stretch to say there is a strong financial case for doing all these things. We have a lot of policies that in the strict short-term don't seem to pay off. But our reputation in the long term is absolutely critical. At the same time, there are pressures from a system that gives incentives for inappropriate decision making. I'd love to say we don't operate on a quarterly basis, but as long as that is the way in which performance is judged, it is difficult to ignore it. We need the ability to quantify it and the ability to take advantage of the results. I don't buy into the notion of the far right that business should not be involved in philanthropy. Corporations have the ability to make a difference. They can help advance science, and build communities. We are part of the Imagine program where we give 1 per cent of our pre-tax profits to philanthropy. Our shareholders support us. We have 60,000 employees that are behind our programs.

**First Job?**

Bartender at a Queen's pub for a year.

**What was your favourite drink?**

Whatever they ordered!



**Warren Buffet, Chairman, Berkshire Hathaway**

It takes 20 years to build a reputation and 5 minutes to ruin it.

**Paul Hastings, CEO, QLT**

"We have an obligation to provide a fun place for people to work so that their work-life is enjoyable; and we have an obligation to provide quality healthcare products that people need. We put those two things together and we have a pretty good deal."

**Bill Holland, CEO, CI Funds**

"I think that the role of business is to look after the responsibilities they have to all the owners. The notion that it is the role of business to look after the stakeholders and employees can distract from this primary role if taken too far, but neither is it mutually exclusive, provided it is done with the focus on fulfilling responsibilities to the owners."

**Donald A. Stewart, CEO of Sun Life Assurance Co. of Canada**

"We strive to play a positive role in the lives of our customers by helping them achieve the peace of mind that comes with financial security. As a citizen we believe in corporate social responsibility and in the good that can be achieved when citizens, both corporate and individual, work together for the betterment of their communities."

**Rémi Marcoux, CEO, Transcontinental Inc.**

"A company is not simply a money machine for shareholders, but an economic and social institution. Company leaders must always keep in mind where they came from and the communities in which their employees live and work every day. They must also keep in mind, as well as remind those around them, that a company's personality and conscience is just as important as its performance. Respect should be the cornerstone of every corporation. The best way to create value for shareholders is to create value for customers. And creating value for customers requires motivated, well-trained and happy employees."

**T.J. Hearn, chairman, president and chief executive officer, Imperial Oil Limited**

"Beyond profit, we share with all Canadians the goal of protecting the environment and believe that through the development of innovative technologies, we can achieve the dual goals of economic growth and meaningful environmental progress. We are ever mindful of the need to continuously improve our performance in this area by improving energy efficiency and reducing emissions."

**Ron Brenneman, CEO Petro-Canada**

"Companies need, first and foremost, to concentrate on the success of the business. But we also have a role to play as a contributor to society. Large corporations like Petro-Canada, with operations throughout Canada and abroad, need to set an example of leadership."

**John Reid, CEO Terasen Gas**

"There is no reason why business can not grow and prosper while at the same time showing care and compassion to the communities in which we operate and ensuring proper stewardship of our environment."

**John Van Brunt Vice Chairman and CEO Agrium Inc.**

"Business should lead by example, by delivering on commitments with speed and excellence. Business must take responsibility for its actions by being 100 percent accountable for its behaviors and decisions."

**Peter Munk, Founder and Chairman, Barrick Gold Corporation**

"A healthy business sector is a powerful sinew in a free, democratic society—but only if business takes its responsibilities seriously."

**Robert Schad, CEO Husky Injection Molding Systems**

"One of our core values is to make a contribution. This includes not only customers, but to all stakeholders and to the communities in which we live and work."

**Travis Engen, CEO Alcan Inc.**

*"I think it's quite clear that business is probably the primary productive element of society."*

*I think it's a growing role, particularly for multinational companies in our world, where so many of our problems transcend what had been traditionally been borders."*

*It's very much a virtuous cycle, where the economic returns, which have to come—because without economic returns the enterprise will not exist—are the engine for investing in employees, in parks, in your customers, in the way you operate in your facilities."*

**Rick George, CEO, Suncor Energy Inc.**

*"We as business leaders must be ready to demonstrate that we have something to offer Canada beyond the profits, taxes and jobs generated by our enterprises. That's always been true, but in an atmosphere of mistrust and cynicism, it will be important to demonstrate that we are ready to roll up our sleeves and work constructively with others to build a better future for this country."*