



**Schulich**  
School of Business  
York University



MAY 18, 2001 TORONTO

# report

on the **Summit on  
Corporate Environmental  
and Sustainability Reporting**

UNIVERSITÉ  
**YORK**  
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## FOREWORD

The Summit on Corporate Environmental and Sustainability Reporting was a uniquely Canadian event. A couple of enthusiasts for effective dialogue on corporate sustainability (the undersigned) shared their enthusiasm with some leading companies and commentators, NGOs and government departments. And in a matter of weeks, there were nearly 100 participants at a seminar focused entirely on the future: a distinct and dynamic future for Canadian corporate reporting.

We believe that the energy evidenced at the Summit was indicative of the readiness of Canadian companies and their stakeholders to leapfrog to internationally recognized best practice in interactive, vibrant communications on their triple bottom line performance, and to do this in a way that is collegiate, stakeholder inclusive and highly innovative.

We also believe that with the seminar's overt future focus and the emergence of a number of very practical visions for what might be possible in the next five years, the participants have laid a very solid foundation for Canadian corporate and public policy development in this area. There might be significant value-adding implications for Canadian firms and their stakeholders and, indeed, the economy as a whole if we get this right.

We look forward to continuing to play a catalytic role in this arena, and we see this report as a first step in developing a deepening dialogue with others committed to embarking on this journey. We especially thank our sponsors, our speakers and our participants for their enthusiasm and commitment to embarking on the journey with us.

**David Wheeler**

Professor and Chair

Erivan K. Haub Program in Business and Sustainability  
Schulich School of Business, York University

**Michael Keating**

Executive Director  
Sustainability Reporting Program

Toronto, July 2001

# agenda

## AGENDA FOR THE SUMMIT ON CORPORATE ENVIRONMENTAL & SUSTAINABILITY REPORTING (MAY 18, 2001—TORONTO)

### WELCOMING REMARKS

**David Wheeler**, Chair and Director, Erivan K. Haub Program in Business and Sustainability and Sustainable Enterprise Academy, Schulich School of Business, York University

### KEYNOTE ADDRESS: WHERE IN THE WORLD IS REPORTING GOING?

**John Elkington**, Chairman and Founder, SustainAbility

### PLENARY PANELS

#### THE STATE OF THE ART AND FUTURE DIRECTIONS FOR CANADA: VIEWS FROM THE INSTITUTIONS

#### ECO-EFFICIENCY INDICATORS AND REPORTING

**David McGuinty**, President and CEO, National Round Table on the Environment and the Economy

#### CICA AND THE GRI: MOVING TO SUSTAINABILITY INDICATORS IN GLOBAL REPORTING

**Alan Willis**, Canadian Institute of Chartered Accountants and the Global Reporting Initiative Steering Committee

#### THE SUSTAINABILITY REPORT: MEETING THE NEEDS AND ASPIRATIONS OF CANADIANS

**Michael Keating**, Executive Director, Sustainability Reporting Program

#### THE STATE OF THE ART AND FUTURE DIRECTIONS FOR CANADA: VIEWS FROM THE PRACTITIONERS

**Valerie Chort**, Practice Leader, Environment, Health & Safety, Deloitte & Touche

**Gord Lambert**, Corporate Director, Sustainable Development, Suncor Energy Inc.

**John Roberts**, Vice President, Environment, Nexfor Inc.

**Vasudha Seth**, General Manager, Environment and Energy, Dofasco Inc.

**Richard Gareau**, Manager, Public Affairs, DuPont Canada Inc.

**Mel Wilson**, Senior Manager & Environmental Management Specialist, PricewaterhouseCoopers

### WORKSHOPS

#### INTEGRATING REPORTING WITH CORPORATE COMMUNICATIONS: THE STRATEGIC APPROACH

**Host: Cynthia Dyson**, Manager, Communications and Consultation, BC Hydro

**Facilitators: Sarah Thorne**, Partner, Decision Partners; **Katharine Partridge**, Schulich School of Business

#### THE FUTURE FOR VERIFICATION: SATISFYING MULTIPLE NEEDS FOR ASSURANCE

**Host: Gord Lambert**, Corporate Director, Sustainable Development, Suncor Energy Inc.

**Bea Olivastri**, CEO, Friends of the Earth

**Jim Frehs**, Senior Policy Analyst, Natural Resources Canada

**Facilitator: Mel Wilson**, Senior Manager & Environmental Management Specialist, PricewaterhouseCoopers

#### CORPORATE REPORTING: HOW DO WE MAXIMIZE VALUE FOR STAKEHOLDERS?

**Host: Ron Nielsen**, Manager, Environmental Affairs and Sustainability, Alcan Inc.

**Helen Ryan**, Special Advisor, Environment Canada

**Rick Findlay**, Director, Water Programme, Pollution Probe

**Facilitator: Valerie Chort**, Practice Leader, Environment, Health & Safety, Deloitte & Touche

#### BENCHMARKING REPORTS AND COMPANIES: MAXIMIZING VALUE FOR THE INVESTMENT COMMUNITY

**Host: Paul Werbiski**, Senior Advisor, Corporate Environment, Ontario Power Generation

**Michael Jantzi**, President, Michael Jantzi Research Associates Inc.

**Matthew Kiernan**, Executive Managing Director, Innovest Strategic Value Advisors

**Facilitator: Mary MacDonald**, Senior Associate, Sustainability Reporting Program

#### LINKING REPORTING TO INDICATORS OF EFFICIENCY AND BUSINESS PERFORMANCE: THE BUSINESS CASE

**Host: John Roberts**, Vice President, Environment, Nexfor Inc.

**David McGuinty**, President and CEO, National Round Table on the Environment and the Economy

**Facilitator: Kevin Brady**, Director, Five Winds International

# proceedings

## INTRODUCTION

The first Canadian Summit on Corporate Environmental and Sustainability Reporting was held May 18, 2001 in Toronto. It was co-organized by the Sustainable Enterprise Academy at the Schulich School of Business (York University) and the Sustainability Reporting Program. The Summit invited participants representing 20 leading Canadian corporations, together with government agencies and non-governmental organizations, consultants and commentators, to generate a vision for what world-leading corporate sustainability reporting might look like in Canada in five years time.

Speakers at the morning session presented the State of the Art and Future Directions for Reporting in Canada from institutional and practitioner perspectives. In afternoon workshops, delegates debated their future vision of reporting in Canada on five themes:

- Integrating Reporting with Corporate Communications – The Strategic Approach.
- The Future for Verification – Satisfying Multiple Needs for Assurance.
- Corporate Reporting: How Do We Maximize Value for Stakeholders?
- Benchmarking Reports and Companies – Maximizing Value for the Investment Community.
- Linking Reporting to Indicators of Efficiency and Business Performance – The Business Case.

The Summit was supported by three federal government departments (Environment Canada, Natural Resources Canada and Industry Canada), the National Round Table on the Environment and the Economy, as well as consultancies PricewaterhouseCoopers and Deloitte & Touche.

## PROCEEDINGS

Welcoming delegates, Professor **David Wheeler** of the Schulich School of Business and organizer and chair of the Summit, suggested that, “Canada could turn its natural sympathy for the environment and social justice into recognized global leadership. The government, civil society and the corporate sector all have a great story to tell, and we should not let modesty get in the way. People around the world need to know that goods and services provided from Canada come with environmental and social responsibility ‘hard wired’. In today’s global economy, that

is an asset that Canada should be proud to proclaim and which should create competitive advantage.” In Professor Wheeler’s view, “transparent reporting on environmental and social performance could be central to establishing that advantage.”

## KEYNOTE

### JOHN ELKINGTON

#### THEME – WHERE IN THE WORLD IS REPORTING GOING?

According to keynote speaker **John Elkington**, Canada has a unique opportunity to become a world leader in ‘multi-level’ reporting on environmental and social performance. Elkington, Chairman and Founder of world-renowned think-tank SustainAbility, highlighted what he perceives to be a ‘gap in the market’. He suggested that, “Policymakers the world over now understand that measurement and reporting are essential prerequisites for the effective management of pressing environmental and social challenges, such as global climate change and social exclusion. But no country has yet created the vital ‘synchro mesh’ between international, national, regional, sectoral and corporate sustainability reporting.” Furthermore, Elkington believes that, “With its track record on transparency and accountability, its historic leadership on environmental and social justice issues, and leadership in reporting at the national, provincial, municipal and corporate levels, Canada is uniquely placed to fill that gap.”

Elkington believes that such leadership is imperative because sustainability requires a system-level transformation over the next several decades that goes beyond the current paradigm of technological innovation and behavioural change.

To put his vision in the context of environmental and sustainability reporting, Elkington drew from his new book *The Chrysalis Economy* (Capstone, June 2001 EU publication; John Wiley, July 2001 US publication) and *The Global Reporters*, the international benchmark study of corporate sustainability reporting, published in 2000 by SustainAbility in partnership with United Nations Environmental Programme.

*The Chrysalis Economy* presents a vision for the next three decades, where ‘Citizen CEOs’ will lead corporations, and values will vie with value creation for precedence.



**ELKINGTON BUILT ON THE IMAGERY OF THE INSECT WORLD TO CLASSIFY CORPORATIONS, AND THEIR**

**REPORTING, INTO FOUR ARCHETYPES:**

**Locusts** are companies whose activities have a high impact and are 'degenerative' (that is, have decreasing returns). These are typically the most conservative reporters, focusing on impacts, industrial systems issues and enforcement concerns.

**Caterpillars** differ from Locusts in that their activities are relatively low impact. But because Caterpillar companies are so numerous, their cumulative effect can be degenerative. Caterpillar reporters typically measure impacts, report on targets and have a 'transformational agenda', as measured by progress over time and by issue.

**Butterfly** corporations are also low impact, but can also be 'regenerative' (that is, they can deliver environmental and social value, as well as economic value, rather than degenerating it). Unfortunately, these companies (Ben and Jerry's and The Body Shop are examples) are also 'lightweights' in the corporate world and lack the economic muscle to effect major change. But that is changing. By focusing on values and priorities, campaigns and strategic partnerships (with, for example, the World Business Council for Sustainable Development), Butterfly firms increasingly are able to mainstream their activities.

Elkington asserted that none of these evolutions is wholly satisfactory, arguing that companies must evolve further – into corporate **Honeybees**. Honeybees are firms that, despite their high-impact activities, remain regenerative – at least in some of their business units and operations. An example might be DaimlerChrysler, which recently committed \$1 billion to fuel cell R&D. Honeybee firms work from sustainable business models, operate in industrial ecosystems or clusters, thrive on innovation and cross-pollination, and possess 'heavy-lifting' and 'market-shaping' capacity.

Reflecting on the current state of reporting around the world, Elkington referenced *The Global Reporters*, which provides 50 examples of best practice and innovation, including three from Canada: Nortel, BC Hydro and Dofasco. Of a maximum possible score of 196, the 50 reporters averaged 84, with the lowest at 57 and the top six 'best of the best' ranging from 111 to 122.

Elkington cautioned that while such a ranking demonstrates that reporting is becoming increasingly sophisticated, the exercise must promote not just better reports but real change. As SustainAbility has undertaken preparation of the next publication in the Global Reporters program (for a September 2001 release), he noted several issues that have come to the fore.

**THE ISSUES INCLUDE THE FOLLOWING OBSERVATIONS AND QUESTIONS:**

- Critical messages still are not getting through to stakeholders. Why is this?
- Key stakeholders lack tools to interpret reported information. How can these be provided?
- Good reporting doesn't make a sustainable company. So where is the leverage?
- The majority of reports still act as one-way information feeds. How can communication be improved? How would report benchmarking differ if stakeholders drove it?

And there is the overriding issue that the number of companies reporting remains small and, as such, may result in pullback by those previously committed. We must discover how to use financial incentives to drive home change, he concluded, so that companies 'walk the talk' that they communicate to stakeholders.

# institutional perspectives

## THE STATE OF THE ART AND FUTURE DIRECTIONS FOR CANADA: VIEWS FROM THE INSTITUTIONS

### DAVID MCGUINTY ECO-EFFICIENCY INDICATORS AND REPORTING

“Sustainable reporting is a critical tool to help us move from the theory to the practice of sustainability,” said **David McGuinty**, President and CEO of the National Round Table on the Environment and the Economy (NRTEE). NRTEE is helping to guide that process by exploring the links between eco-efficiency indicators at the corporate level and indicators for reporting progress at a national level. Fundamental to NRTEE’s success, he said, is its provision of practical, reasoned, ‘barrier-busting’ recommendations for change, which NRTEE weaves by harnessing the goodwill, analysis and thinking across a network of multiple constituencies.

One method by which NRTEE is building the ‘political and practical traction’ necessary to affect concrete change is the design, in partnership with industry, of eco-efficiency indicators. The first stage of this project involved the development and feasibility assessment of core indicators for energy, material and water intensity. In 2000, the project was extended and 12 Canadian companies from a range of manufacturing sectors tested the value and viability of the indicators in their businesses. The results of the project, said McGuinty, “demonstrate that eco-efficiency indicators can contribute in practical ways to improving the overall sustainability of key corporate sectors.” To expand the project once again, activity is underway to implement the indicators in 60 to 80 Canadian companies that currently are not reporting.

McGuinty also described a second major NRTEE initiative – the development of a small suite of national indicators that will help integrate environmental and social considerations into economic decision-making. The indicators, to be developed over a three-year period, will not aim to supplant GDP, but rather provide trend lines for the future that can be examined alongside GDP and other more traditional measures. Work on the indicators, explained McGuinty, will involve a ‘capital’ approach that will measure the extent to which we are living off our capital – produced capital (the economy), natural capital (the environment) and human capital – and, therefore, potentially compromising future generations of Canadians.

McGuinty concluded by inviting delegates to work with NRTEE to address what he perceives to be the next major challenge: Developing linkages and alignment between reporting at the national and corporate levels so that the work at each is relevant to all decision makers.

### ALAN WILLIS CICA AND THE GRI: MOVING TO SUSTAINABILITY INDICATORS IN GLOBAL REPORTING

The theme of reporting indicators was expanded upon by **Alan Willis**, representing the Canadian Institute of Chartered Accountants (CICA) and the Global Reporting Initiative (GRI) Steering Committee. Traditional financial statements do not provide a full measure of business performance and shareholder value creation, he said. GRI, which published its Sustainability Reporting Guidelines in June 2000, seeks to add value by providing a rigorous framework of core sustainability indicators for use by a diverse group of stakeholders, including reporting companies, investors, authorities, environmental groups, human rights groups, customers and employees. Its mission is to elevate corporate sustainability reporting to the level of financial reporting, that is, to ensure that sustainability reporting has relevance, reliability, clarity, comparability, timeliness and verifiability.

Willis described several areas in which GRI is moving forward. First, the Guidelines are undergoing a further revision for release in 2002. This phase will focus on both the product and the process in order to create a reporting framework that encourages inclusiveness, independence and global reach and that achieves broad adoption and acceptance. Future efforts will attempt to alleviate the ‘Catch 22’, whereby companies are not always able to see the impact of sustainability performance on shareholder value creation and capital markets are slow to sort out how to use various screening devices to rank good corporate performance.

GRI is also exploring the role of verification. While the organization’s primary focus is the Guidelines, it recognizes that users are interested in the reliability of the information they receive and preparers want to build credibility and trust in what they report. For these reasons, GRI has established an international Verification Working Group, where reporters, users and verifiers of all types can reach a better understanding about what to expect from verification and that can be a catalyst for progress to align practices with expectations. **FIGURE 1** illustrates the scope of GRI activities in the future.

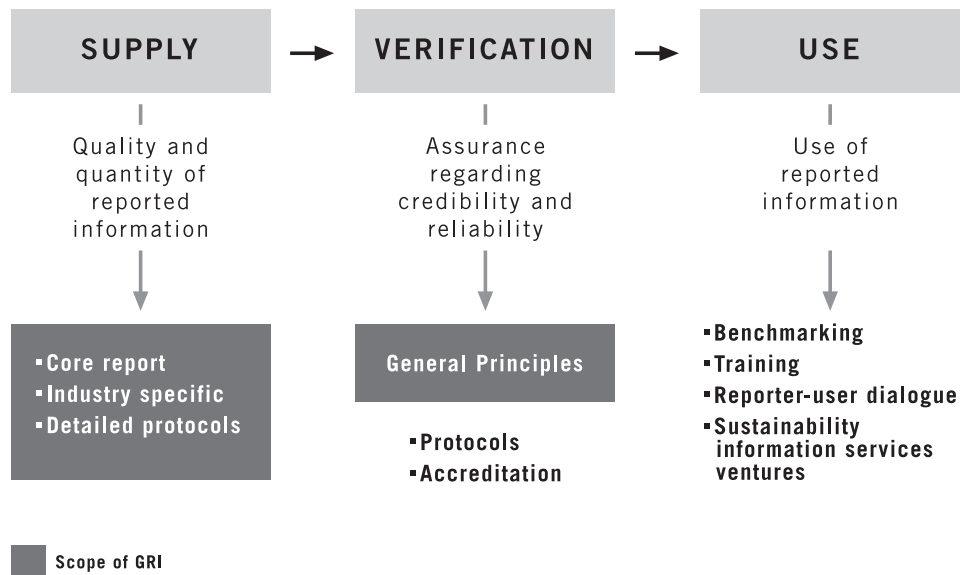


FIGURE 1: GRI IN THE FUTURE

### MICHAEL KEATING THE SUSTAINABILITY REPORT: MEETING THE NEEDS AND ASPIRATIONS OF CANADIANS

**Michael Keating**, Executive Director of the Sustainability Reporting Program, extended the discussion beyond indicators, providing an historical overview of reporting and the future needs and aspirations of Canadians that it must meet. Keating recently launched The Sustainability Report to provide an online “window on the Canadian brand for environmental and social responsibility.”

Noting that the federal government was a leader in Canadian reporting in the mid-1980s, Keating provided several examples of groundbreaking reporting initiatives at the provincial and municipal level (for example, British Columbia’s and Manitoba’s State of the Environment reports; the Atlantic Genuine Progress Index; Calgary’s State of Our City and Toronto’s Vital Signs).

More recently, he said, business is taking a leadership role, moving reporting further along the

continuum from environmental to sustainability reporting, staying alert to stakeholder needs and, increasingly, reporting on long-term trends and the well-being of future generations.

Given the challenges of crafting key messages to multiple stakeholders and conveying them across multiple communications channels, Keating believes that future opportunities for improved sustainability reporting will arise from better public consultation and feedback loops, a transition from primarily anecdotal reporting to trend-line and results reporting and the distillation of the vast number of existing indicators to small indicator packages that give people a concise scan of the critical issues. Measuring the impact of reporting and using this to improve the process is also a key to future success.

While each company needs to adapt the technologies of reporting to its needs and to continue to be innovative, there is also a need for collaboration among firms in order to raise the standard of reporting. Keating invited participants to work with others in attendance to raise that bar in the future.

# practitioners' perspectives

## THE STATE OF THE ART AND FUTURE DIRECTIONS FOR CANADA: VIEWS FROM THE PRACTITIONERS

Panellists from leading companies and consultancies expanded on the themes presented by the Institutional commentators. Canadian sustainability reporting activity, they said, is at a crossroads. Although we have seen an exponential curve of growth in the number of reporting companies, it is anticipated that significant plateauing will occur in the near future as firms step back and reconsider whether reporting it adds value.

### **VALERIE CHORT, Deloitte & Touche**

Chort raised the issue of how environmental and sustainability reports currently provide value to stakeholders. According to a recent survey by Environics Corporate Social Responsibility Monitor, a company's annual progress reports rank poorly as the most credible source of information on its social and ethical practice (4% in Canada). Verified reports and mandatory public reports to government are perceived to be more credible (32% and 28% respectively), and information provided by not-for-profit organizations or newspapers was ranked as equally trustworthy (29%).

### **GORD LAMBERT, Suncor Energy**

Lambert highlighted other drivers of value and measures of success. For example, substantial value can be derived from the 'process' of reporting, which can act as a catalyst to drive change, ensure alignment internally and break down barriers externally: "Reports force discussion of dilemmas facing companies in reconciling diverse economic, social and environmental expectations of our various stakeholders." But, he added, resolving dilemmas requires two-way communication that is not possible through a report: "It's not realistic to expect companies to resolve dilemmas on their own. In the case of energy, governments, as owners of the resources being developed, are politically accountable for defining the broader public interest." On the other hand, companies will build credibility and stronger stakeholder relationships when they report the full effect of their activities.

### **JOHN ROBERTS, Nexfor**

Roberts reported that Nexfor's 10-year experience with environmental reporting confirmed much of what Mr. Lambert had said regarding process. He said that Nexfor saw reporting as a way of ensuring a continued license to operate for a natural resource company. From his experience, however, customers, suppliers and the government are not yet asking for additional depth or material in

Nexfor's reports. Furthermore, the financial community has not requested additional reporting elements nor does it appear to be using the reports in a detailed, systematic fashion. It is not clear that reporting provides significant competitive advantage or major benefits to shareholders. So the question remains: What is the driver for enhanced reporting at this time?

### **VASUDHA SETH, Dofasco**

Seth noted that sustainability reporting is driven not just by 'process' or 'systems', but also by a corporation's values. A strong commitment to community has long figured into Dofasco's strategic decision-making, she noted. One way to increase uptake within the financial community, she suggested, is to strengthen the linkage between financial, environmental, and social performance, translating the benefits of a company's environmental and social activities into metrics that are understandable to this important stakeholder group.

### **RICHARD GAREAU, DuPont Canada**

Gareau noted that his company began reporting in 1995 in response to the Responsible Care premise of 'doing the right thing', as well as to a societal call for greater openness and transparency. DuPont also wanted to be more proactive and initiate dialogue with its critics and major stakeholders. DuPont's 2000 Sustainability report, which includes practical and comprehensive case studies to support data, is designed with the goal of legibility and ease of understanding (for the general public, students, etc.) that will initiate dialogue and encourage feedback and personal contact. The company is gradually moving towards web-based access and cybernetic reporting for its 2001-2 reports. DuPont Canada is supportive of guidance and new reporting frameworks, but Gareau says the process must not become cumbersome or expensive.

### **MEL WILSON, PricewaterhouseCoopers**

Wilson presented an approach to reconciling the debate that often arises between the relative importance of ethical drivers and business drivers of reporting by focusing on the middle ground where the two meet. This, according to Wilson, is the ultimate source of 'reputation'. Reputation, he said, does drive the stock market. Reputation is also the point where a company's performance and its ability to communicate that performance come together. Companies that perform well but communicate poorly are under-leveraging their assets and not reaping their value.

# workshops

## CONCURRENT AFTERNOON WORKSHOPS

Summit delegates had the opportunity to share their understanding of issues raised by morning panellists and to explore future opportunities for achieving world-leading practice in environmental and sustainability reporting in Canada during five afternoon workshops.

### **WORKSHOP 1: INTEGRATING REPORTING WITH CORPORATE COMMUNICATIONS: THE STRATEGIC APPROACH**

This workshop explored the ways in which value can be added to the reporting process through the integration of the work done by a company's environment or sustainability department and its corporate communications function. Workshop participants were asked to frame their contributions around the question of how organizations can best take a strategic approach to reporting across these dimensions.

Reflecting on her experience at BC Hydro, workshop host **Cynthia Dyson** explained that over time, the process of reporting had triggered a more comprehensive corporate sustainability strategy and that now, triple bottom line reporting has been incorporated as but one tool in the firm's sustainable development toolbox.

Workshop participants suggested that integrating the reporting process across a variety of departments and business units – by way of a multi-disciplinary steering committee or a team of report sponsors or champions – was key to the type of success BC Hydro's reporting process enjoyed. From an operational perspective, such measures also can help an organization avoid turf wars over report control and, in a best-case scenario, can contribute to the breakdown of institutional silos and the formation of a more cohesive organizational structure.

Additional value-added perspective can also be provided through third-party validation from, for example, an external CEO advisory panel, non-governmental organizations or industry affiliates. And participants urged reporters not to forget the 'inside folks', who can provide an excellent barometer of success. As one contributor noted, "It has to be credible inside to be credible on the outside."

Participants were also asked to reflect on what an optimal report might look like five years hence. From the lively discussion, the following composite was developed.

### **FIVE-YEAR VISION**

Reports will live on a highly interactive website, which will feature real-time reporting and act as a portal to industry associations and their member firms. Website information will be accessible in layers – from basic and easy to understand to highly technical – thus allowing stakeholders to determine which data they need to facilitate their individual decision-making. The optimal future report will be informed by stakeholder-driven social indicators and verified by credible and experienced external groups. Multinationals will provide comparative measurement data from both local and foreign operations. Reach to stakeholders will be improved through mass marketing. At the same time, reporters will recognize that tallying the number of people who 'read' the report is not the only measure of success: The simple awareness by stakeholders that a company's report is available for reference represents value.

### **WORKSHOP 2: THE FUTURE FOR VERIFICATION: SATISFYING MULTIPLE NEEDS FOR ASSURANCE**

Participants at this workshop focused on the potential role for report verification. They agreed that verification should be a key component in corporate reputation building, by way of its role of assurance, which can promote transparency both in corporate performance reporting and in communications between firms and their stakeholders.

This agreement, however, was prefaced by an animated discussion, during which participants debated the distinction between 'verification' and 'validation'.

Verification, it was agreed, adds value, trust and credibility to a report by way of third-party objectivity. It closes the measure-report-verify management system loop, ensuring consistency and encouraging quality in systems and performance data. Verification must be set within a structured context, such as a regulatory (versus voluntary), industry standard, or compliance and disclosure regime. As well, it requires knowledge of comparative baseline data. At the same time, verification does not comment on performance results, that is, it is not an interpretation of the data or validation of the claims a reporter may make. As such, verification plays a relatively small role in the overall scheme of corporate sustainability goals and performance.

To distinguish between verification and validation, the notion of a transit from objective to subjective scrutiny and from past to future orientation was discussed. Verification (objective scrutiny) progresses from a past perspective via the auditing of management systems and performance toward a present-based review of reported results, measured against a firm's goals and targets. Validation (subjective scrutiny) picks up at that review against goals and targets and progresses toward a review of sustainability performance, measured against a firm's vision and the strategies it has in place to achieve that vision. Verification is akin to a chartered accountant's review of a financial report, validation to a financial analyst's. An auditing firm may handle the verification of data, while other stakeholder groups may handle validation.

### FIVE-YEAR VISION

The vision for the future of verification and validation of environmental and sustainability reporting in Canada was captured in **FIGURE 2** below.



**FIGURE 2: THE FUTURE FOR VERIFICATION AND VALIDATION**

## WORKSHOP 3:

### CORPORATE REPORTING: HOW DO WE MAXIMIZE VALUE FOR STAKEHOLDERS?

Participants at this workshop identified that both 'supply of' and 'demand for' information on environment (and health & safety) and sustainability need to be examined in more detail in order to maximize value for stakeholders. On the supply side, it is critical that the following questions are clarified by the external stakeholders, in part to help develop support and justification for a company investing effort in providing the information:

- What information is needed?
- Why this information is needed?
- What impact or value will result from having top-quality information of this nature (that is, how can this information be used constructively)?

It was noted that the foundation for a 'well developed' sustainability communication effort in an organization (which includes preparing a sustainability report) is determining how such communication (data gathering, analysis, reporting, engaging with stakeholders, etc.) contributes to basic business objectives of an organization, particularly at the operations level where much / most of the information comes from to begin with.

The premise that a return on investment of 15% is a 'given' was challenged and needs further examination. Some participants suggested that such an expectation – which is almost a fundamental requirement from the financial markets' perspective – may itself be unsustainable. For example, certain ecological and societal costs may continue to be 'externalized' in the drive to achieve consistently high ROIs. The recognition of the need for action to address these costs – in turn, considering the costs as 'opportunities for investment' – can lead to increased sustainability, but there is not yet sufficient support for such behaviour from financial markets and shareholders.

The extent to which trust is present between the private organizations and their stakeholders was identified as a key 'demand' aspect. The trust gap needs to be assessed, measured and reported as an aspect of social capital. Methodologies and techniques for assessing and measuring social capital are required and happily are under development (for example, the CICA-supported research being conducted by Simon Fraser University and the Schulich School of Business).

Participants also raised the issue of stakeholder imbalance, in terms of their power, influence and impact on decision-making. Some jurisdictions, for example, in the European Union, have different models of corporate governance that may lend themselves to different ways for stakeholders to be included in charting the future direction and determining priorities and issues in an organization.

#### **FIVE-YEAR VISION**

From the context of the information provider, it is necessary to clearly determine and understand the value of gathering, using and reporting information on environment, health and safety, and social and economic (both environment and sustainability) perspectives. It was suggested that in five years time, a significant proportion of information will come from the operational levels of the organization. Value to the operations of investing in compiling and providing such information is crucial to the long-term viability of a comprehensive information and reporting system and capability.

Development of new 'leading' indicators that assess capability and preparedness will be needed to complement the current suite of performance 'lagging' indicators. There will be greater distinction between the two sorts of indicators. Leading indicators will help determine the direction to take. Performance indicators establish what progress is being made.

#### **WORKSHOP 4: BENCHMARKING REPORTS AND COMPANIES: MAXIMIZING VALUE FOR THE INVESTMENT COMMUNITY**

According to The Worldwatch Institute (in *Vital Signs 2001*), socially active investors have succeeded in encouraging companies to make more sustainable decisions via shareholder resolutions. In the United States, money invested according to 'socially responsible' criteria climbed from \$59 billion in 1984 to \$2.16 trillion in 1999 – \$1 out of every \$8 under professional management in the United States. Given the growth in socially responsible investing, this workshop examined the challenge that many companies encounter when producing reports: How to demonstrate to financial analysts that the firm's environmental and sustainability initiatives indeed have a positive impact on the bottom line.

The investment community was defined by workshop participants in its broadest sense to include large investment banks and financial analysts through to individual small-time investors. It was generally agreed that a sustainability report can provide information to the financial decision-maker about a company's social and environmental activities but that investment decisions are still largely made on the financial performance of the company.

#### **FIVE-YEAR VISION**

There is a tendency for Canadian companies to focus their reporting only on the intangible social and environmental value drivers and not on the financial reality underlying them. In five years time, reports will need to more clearly illustrate the materiality case for the social and environmental dimensions of business practice, such as the cost savings from waste reduction efforts or the economic value derived from the use of regulatory instruments or voluntary measures. Communicating effectively on the benefits and drawbacks of social and environmental activities is also important and requires using language investors understand (for example, impacts on brand and reputation and links between process and product efficiency and shareholder value).

Participants discussed the need for sustainability reporting across multiple channels to reach a variety of investors. Different investors will look to different sources for their information and many will also read more than one report.

Reporting consistency to facilitate year-over-year comparisons was also identified as key to the provision of useful financial metrics.

At the same time, a need for precise financial indicators will not remove the need for qualitative reporting. Quantitative indicators often do not tell the whole story, especially when much time and effort has been invested in working with a community or other stakeholder group to resolve or avoid conflict. This information will need to be communicated both in terms of the dollar value of savings derived from conflict resolution or avoidance and in terms of the longer-term, non-monetary strategic value derived from the partnership-building process.

While interest in sustainability practices for investment decision-making may (at present) be minimal within Canada, workshop participants believed that, with globalization, investment decisions affecting Canadian firms increasingly will be made outside the country.

## WORKSHOP 5: LINKING REPORTING TO INDICATORS OF EFFICIENCY AND BUSINESS PERFORMANCE: THE BUSINESS CASE

Participants at this popular workshop touched on a variety of issues, including international, national and corporate perspectives related to the business case for sustainability reporting today and in the future.

Understanding the business case, according to participants, is fundamental to broadening a report's accessibility and appeal, understanding the relationship between and meeting the needs of internal and external stakeholders, gaining support from colleagues, providing drivers for management, integrating indicators into company performance and normalizing the process in general.

Exploring the issue from the perspective of government, better coordination was identified as a key need on several fronts:

- **National indicators (i.e., GDP equivalents) need to be linked to company reporting initiatives**
- **Corporate indicators need to be linked to regulatory requirements at all levels of government**
- **Governments across all jurisdictions need to align their regulatory regimes so that reporters do not need to ask, "Who's in charge?" For example, current ecological fiscal reform provides incentives and disincentives on the same issue from various levels of government.**

Some participants expressed frustration at what they perceived to be a lack of leadership and vision from government in Canada, suggesting that deficit reduction pressures have compromised its role. Others suggested that demand must be consumer driven, noting that consumers' current price and value expectations (for example, the demand for SUVs), are not in line with sustainable development strategies. Still others disagreed, arguing that shareholders and investors ultimately determine the direction of a company. One participant suggested that companies be required to report on sustainable development initiatives before being listed on the TSE.

### FIVE-YEAR VISION

Participants did agree that sustainability increasingly must be tied to the corporation's overall strategy, with indicators linked to performance. They also reached consensus on a selection of current and future drivers of reporting, which are summarized in the table below.

CURRENT DRIVERS	FUTURE DRIVERS FOR THE FIVE-YEAR VISION
<ul style="list-style-type: none"> <li>• Employee relations and retention</li> <li>• Reputation and risk management</li> <li>• Management system improvements</li> <li>• License to operate</li> <li>• Competitive differentiator that provides access to capital and markets; fosters business relationships, partnerships and joint ventures</li> <li>• Connectivity that creates demand for information, both from internal and external stakeholders</li> <li>• Increased credibility from meeting targets and transparency of information</li> <li>• Ethical leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory requirements</li> <li>• Enlightened leadership</li> <li>• Investment community, resulting from increase in shared terminology</li> <li>• Linkage to bottom line</li> <li>• Globalization – increase in number of stakeholders; complexity of stakeholder relations; realization of stakeholder power</li> <li>• Social capital issues: poverty, scarcity and ecosystem limitations</li> </ul>

# research spotlights

Highlighted below are summaries of four state-of-the-art Canadian research initiatives that focus on the status of corporate sustainability and environmental reporting in Canada and around the world.

## RESEARCH SPOTLIGHT NO. 1 CORPORATE SUSTAINABILITY REPORTING

*Corporate Sustainability Reporting*, published in late 2000 by the Sustainability Reporting Program, reviews current business and industry reporting approaches based on reports from 20 companies, representing a variety of sectors, and with headquarters in North America, Europe or Australia. The selected reports were evaluated within a framework that included such factors as audience, stated values and vision, policy on corporate reporting, decision-making principles, link between policy and operations, performance indicators, impact on profitability and competitiveness, process of information collection and approach to presentation. Developed on the premise that current reporting trends provide a good indication of how 'corporate sustainability' is understood by the business sector, the report begins with a discussion of such underlying conceptual reporting issues as *Why Report*, and *The Business Challenge*; provides extensive and varied examples (and web site links, where available) of 'best practices', and, notably, offers three templates for effective reporting. To view the complete report, visit [www.sustreport.org/business/report/intro\\_lg.html](http://www.sustreport.org/business/report/intro_lg.html).

**Information:** The Sustainability Report, [www.sustreport.org](http://www.sustreport.org)

## RESEARCH SPOTLIGHT NO. 2 A BUSINESS CASE FOR CORPORATE SUSTAINABILITY REPORTING

*A Business Case for Corporate Sustainability Reporting* provides an overview of the recent history of reporting globally and in Canada, including the results of a benchmark survey of 12 Canadian corporate reporters. The survey results provide a snapshot of current thinking on such issues as the internal reporting process and responsibility, audiences, web-based distribution, verification, and use of indicators or frameworks. The results are summarized as *Value Propositions* which frame 10 key ways in which environmental or sustainability reporting create value. Completed in May 2001, this report was written as an independent study by Katharine Partridge, under supervision from Professor David Wheeler, for the Erivan K. Haub Program in Business and Sustainability MBA specialization at Schulich School of Business, York University.

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## RESEARCH SPOTLIGHT NO. 3 CANADIAN CORPORATE SUSTAINABILITY REPORTING BENCHMARK SURVEY

*The Canadian Corporate Sustainability Reporting Benchmark Survey*, to be released in October 2001, will examine the quality and comprehensiveness of 35 Canadian reports, measured against the GRI indicators, as well as an extended suite of social, ethical and economic measures and selected 'Canadian-context' gauges, such as voluntary initiatives and aboriginal relations. Its goals are to identify current Canadian practices and trends, analyze how Canada fares against emerging international norms and practices, provide information to assist companies in improving their reports, and stimulate interest in reports by third parties, including the financial and investment communities. The research is led by Ottawa-based consultancy Stratos Inc., with support from Alan Willis and SustainAbility.

**Information:** Stephanie Meyer, Stratos Inc., [smeyer@stratos-sts.com](mailto:smeyer@stratos-sts.com)

## RESEARCH SPOTLIGHT NO. 4 A CURRENT FRAMEWORK FOR ENVIRONMENTAL REPORTING IN CANADA

*A Current Framework for Environmental Reporting in Canada*, prepared for the Canadian Standards Association International by Dennis A. Durrant of Loba Ltd. in March 2001, covers a wide-ranging subject matter, including environmental reporting as it relates to all industry sectors and reporters, all jurisdictions, and all other stakeholders; regulated or mandatory reporting requirements from governments in Canada, as well as a number of quasi-public and voluntary initiatives aimed at improving environmental management, outcomes and reporting to interested parties; the linkages between reporting and environmental management systems and their potential to contribute to an organization's management and performance; and a review of current contextual reporting tools. It concludes, among other things, that despite an array of approaches, needs, and confusion with regard to reporting tools, interest in and use of them is increasing, particularly within the private sector. It suggests that "reporters and report users need to build, and more openly share, experience with existing modes of [reporting]," and that "leadership is required in the recognition of both voluntary and regulated efforts to improve the Canadian environment and to see those efforts as critical supports to trade, competitiveness and social well-being."

**Information:** CSA International, [www.csa-international.org](http://www.csa-international.org)

# speakers & participants

## SPEAKERS

### DAVID WHEELER

Chair and Director, Erivan K. Haub Program in Business and Sustainability, Schulich School of Business, York University; former Director of Environment and Social Policy, The Body Shop International; author of *The Stakeholder Corporation* (Pitman, 1997).

### JOHN ELKINGTON

Chair and Founder, SustainAbility; author/co-author of more than 30 books and published reports, including *Green Consumer Guide*; *Cannibals With Forks: The Triple Bottom Line of 21st Century Business* (Capstone Publishing, 1997); and *The Chrysalis Economy* (Capstone, June 2001 EU publication; John Wiley, July 2001 US publication).

### DAVID MCGUINITY

President and CEO, National Round Table on the Environment and the Economy; former Director of Policy and Programs and Special Advisor to the Chair of NRTEE; environmental and natural resources law and policy specialist in private law practice and in the management of international development and professional training programs.

### ALAN WILLIS

Representing the Canadian Institute of Chartered Accountants (CICA) and the Global Reporting Initiative (GRI) Steering Committee; consultant in performance measurement and reporting, particularly as it relates to sustainability, corporate governance and accountability.

### MICHAEL KEATING

Founder and Executive Director, Sustainability Reporting Program; author of six books, including *The Earth Summit's Agenda for Change: A Plain Language Version of Agenda 21 and the Other Rio Agreements*; formerly award-winning journalist for 23 years, including nine as environment reporter for *The Globe and Mail*.

### VALERIE CHORT

Practice Leader, Environment, Health & Safety, Deloitte & Touche; former Vice-President, Environment, Health and Safety with Husky Injection Molding Systems and consultant with Arthur D. Little.

### GORD LAMBERT

Corporate Director, Sustainable Development, Suncor Energy Inc.; former Director, Sustainable Development for TransAlta Corp.; 15 years with Imperial Oil Ltd.

### JOHN ROBERTS

Vice President, Environment, Nexfor Inc.; formerly with the Environmental Services Group of Noranda Inc.; spent 10 years as environmental consultant specializing in projects in waste treatment, environmental assessment, site selection and decommissioning.

### VASUDHA SETH

General Manager, Environment and Energy, Dofasco Inc.; formerly in Corporate Planning at Dofasco.

### RICHARD GAREAU

Manager, Public Affairs, DuPont Canada Inc.; formerly Director, Corporate Image & Communications, Phoenix International Life Sciences; Director, Public Relations and Communications for Novartis Pharma; Manager, Corporate Relations, Ciba-Geigy.

### MEL WILSON

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# summit organizers

## ABOUT THE SUMMIT ORGANIZERS

### SUSTAINABLE ENTERPRISE ACADEMY / ERIVAN K. HAUB PROGRAM IN BUSINESS AND SUSTAINABILITY

The Sustainable Enterprise Academy was founded by the Erivan K. Haub Program in Business and Sustainability at the Schulich School of Business, York University. Through the Sustainable Enterprise Academy, the Haub Program offers senior executive development and professional training in partnership with a number of partners in Canada and internationally. The Academy is sponsored by AMEC, Dofasco, DuPont Canada, Petro-Canada and the Suncor Energy Foundation. The Haub program also conducts research and offers diverse and unique learning opportunities at PhD, Masters and undergraduate levels.

### THE SUSTAINABILITY REPORTING PROGRAM

The Sustainability Reporting Program (SRP) is Canada's centre of communications on sustainability issues and trends that are shaping our future. An independent, non-partisan organization, the SRP draws from the best available sources of information on sustainability. It is a centre of expertise on environmental and sustainability reporting. Sponsors include the Laidlaw Foundation, Environment Canada, Department of Foreign Affairs and International Trade, Health Canada, Alcan Inc. and DuPont Canada Inc.

## ACKNOWLEDGEMENTS

The Summit and this Report would not have been possible without our sponsors (see Contents page), speakers (see page 12) and the following contributors:

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