

# Canadian Corporate Sustainability Reporting

## Best Practices 2008



# About Stratos

Stratos is one of Canada's leading sustainability consultancies. National and international clients rely on Stratos for forward-looking, strategic analysis and advice. Stratos' success is built on expertise in corporate sustainability, public sector management and assurance.

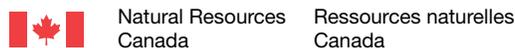
**Our Vision:** A world where decision-makers at all levels integrate sustainability into their actions to improve ecological and human well-being.

**Our Mission:** We provide business, governments and organizations with expert advice, information and tools that assist the development and implementation of more sustainable policies and practices.



## Study Sponsors

This study was made possible through the financial support of organizations dedicated to improving sustainability reporting practices. We express sincere thanks to our sponsors.



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This survey does not assess corporate performance, but rather assesses how companies report on their sustainability practices. It is our experience that greater public disclosure of sustainability information enables stakeholders to use this information to inform their decisions. Project sponsors had no input in the assessments or analysis.

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# Canadian Corporate Sustainability Reporting Executive Summary

*Best Practices in Canadian Corporate Sustainability Reporting* is Stratos' fourth review of corporate sustainability reporting in Canada. This study examines the state of corporate sustainability reporting in Canada, and takes an in-depth look at sustainability reporting by seven leading companies with a view to identifying best reporting practices. The seven companies included in this study have consistently ranked in the top 10 of Stratos' previous benchmark surveys.

The sustainability reporting field in Canada is entering a period of change. The disclosure of sustainability information by companies on the Toronto Stock Exchange (TSX) Composite Index is now common practice, with 80% including some environmental or social information in their annual or stand-alone sustainability reports, up from 70% in 2005. Meanwhile, the growth in stand-alone sustainability reports is slowing, with the number of sustainability reporters down 5% from 2005. Nonetheless there is an ongoing transformation in the discipline with the rapid development of sustainability reporting systems and more rigorous tools and reporting frameworks. This suggests that companies are investing to gain from the business value they are finding in reporting and to respond to more sophisticated stakeholder expectations to improve the quality of reporting.

Against this backdrop we find that leading companies are innovating with best reporting practices on a number of fronts. We identify examples of excellence in reporting including long-term goal setting (page 10), stakeholder engagement (page 14), environmental performance (page 16), and Aboriginal engagement (page 20).

We also look in more detail at four priority areas for corporate reporters: materiality, the Global Reporting

Initiative's (GRI) G3 Guidelines, climate change, and Aboriginal relations. As we look ahead at the changes to the sustainability reporting landscape in Canada, we encourage corporate sustainability reporting practitioners to get ready and get serious about tackling these issues in a more substantive way:

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## **Materiality, a work in progress:**

*There are signs that leading Canadian companies are grappling with the concept and implications of materiality of sustainability information. Our seven leading reporters hint at formal processes, but none provide sufficient detail to allow the reader to fully understand the rigour of their internal systems to identify material sustainability issues. Over the coming year we expect processes to become formalized and as a result, reports to become shorter and more focused.*

## **Climate change reporting gets serious:**

*Reporting on corporate activities to address climate change impacts is starting to take off, with the topic mentioned in 84% of company sustainability reports. Among our seven leading companies climate change reporting is becoming more sophisticated, reflecting the maturity of company strategies to address the issue. We expect disclosure on the corporate response to climate change to continue to grow in sophistication with issues including governance and product performance getting increased attention.*

## **Use of the GRI Guidelines hits critical mass:**

*Forty-five percent of Canadian sustainability reporters now make use of the GRI Guidelines either as a general guide or through adherence to its requirements. However, to date only 6% of reporters have adopted the new G3 version. Companies are innovating to signpost readers to GRI content, with the use of hyperlinked GRI*

*content maps being particularly useful. We expect use of the Guidelines to increase and encourage companies to determine their approach to applying the GRI based on a sound assessment of the business case.*

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## **Reporting on Aboriginal relations is critical in Canada:**

*More than half of Canadian sustainability reporters (51%) discuss Aboriginal relations, highlighting the importance of the issue to Canadian corporations. Reporting on Aboriginal relations among leading companies encompasses corporate approaches and performance on engagement and relationships, economic development and Aboriginal rights.*

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# About this Report/Methodology

## About this Report

Corporate sustainability reporting is a dynamic and fast moving field. In Canada, best practice is evolving quickly with companies simultaneously seeking to innovate and refresh reporting approaches and meet expectations for greater standardization. *Best Practices in Canadian Corporate Sustainability Reporting* is Stratos' fourth review of corporate sustainability reporting in Canada. It presents the results of research on the uptake of and approaches to sustainability reporting in Canada and presents our review of sustainability reporting at seven leading Canadian companies, including the results of our detailed report assessments and examples of best practice reporting. This study does not look at sustainability performance specifically, but rather at how companies report on their sustainability performance and practices, with a view to identifying examples of best practice.

This study also explores approaches to four top-of-mind reporting issues – materiality, the Global Reporting Initiative, climate change, and Aboriginal relations.

## Methodology

The methodology used for this study was similar to that used in previous benchmark surveys. This methodology assesses the issue coverage and quality of information presented in corporate sustainability reports against ten categories of information that we would expect to form part of corporate sustainability disclosure. Collectively, these categories comprise 46 criteria.

## Categories

- Category 1 Context and Coverage
- Category 2 Leadership and Direction
- Category 3 Policies, Organization and Management Systems
- Category 4 Stakeholder Relations
- Category 5 Environmental Performance
- Category 6 Economic Performance
- Category 7 Social Performance
- Category 8 Integrated Performance
- Category 9 Extending Influence Upstream and Downstream
- Category 10 Quality, Credibility and Communications

## Rating System

- 0** No meaningful information is provided on the specific criterion.
- 1** Patchy information is provided. The company is beginning to report on information related to this criterion, but gaps exist, and the information is not comprehensive.
- 2** The report provides good information on the criterion. However, important issue areas or key performance indicators may not be adequately addressed. The company may not be reporting on its entire operations as identified within the report; or it may not present three years of data and/or future targets in this area (for performance related criteria).
- 3** The report provides full coverage of the criterion. For performance criteria, it covers preceding periods and future targets, and provides an analysis or explanation of performance trends.

Reports were assessed against detailed guidance for each criterion and assigned a rating of 0-3 for each, with a total of 138 points available. The methodology and criteria were updated to reflect new reporting requirements in the Global Reporting Initiative's G3 Guidelines. The most significant change in the methodology is the application of the concept of *materiality*, which requires that companies report on the issues that are most significant to them in terms of their business impact and the degree of stakeholder interest. The updated methodology and criteria remain comparable to our 2003 and 2005 benchmark surveys. However, due to this year's smaller sample size, we have not compared 2007 performance with performance in previous years. Our focus in this report is to highlight best practice.

## How We Chose Reporters

*We invited companies to participate in this study based on their demonstrated leadership in sustainability reporting, as evidenced by their rank in our previous benchmark studies, as well as through our extensive knowledge of sustainability reporters in Canada. We invited companies from a range of sectors. Companies that agreed to participate provided financial support, but had no input in the assessment or analysis.*



# Canadian Corporate Sustainability Reporting Trends

## Trends in Corporate Sustainability Reporting in Canada

Over the past 15 years we have seen tremendous growth and improvement in corporate sustainability reporting. In 1993, less than one percent of large Canadian corporations were committed to public environmental reporting.<sup>1</sup> Today, corporate sustainability reporting is a core element of business strategy at 47 of the 265 companies on the TSX Composite Index.<sup>2</sup>

The term **“sustainability report”** includes reports that provide information on a company's management and performance related to one or more aspects of sustainability beyond financial performance. For the purpose of this study, this term encompasses environmental, social, community, corporate responsibility, sustainability, or corporate social responsibility reports, along with annual reports that include five or more pages of environmental and/or social information, including performance data.

This study focuses on **“Canadian reporters”**, defined as Canadian companies with or without Canadian operations that produce sustainability reports, or international companies with operations in Canada that report on these operations in their sustainability reports, including Canadian-specific performance data.

Every year more companies take their first leap into corporate sustainability reporting. Since 2001, the number of corporate sustainability reporters in Canada has increased from 57 to 108.<sup>3</sup> Over the same time period, the percent of TSX companies that produce sustainability reports increased from 10% to 18%.

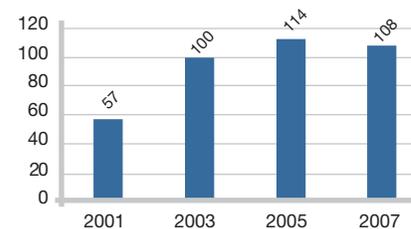
In more recent years we have seen a slight dip in Canadian corporate sustainability reporting, with a 5% decrease in the number of reporters between 2005 and 2007 (from 114 to 108), and a decrease in the number of TSX companies producing stand-alone sustainability reports (from 25% in 2005 to 18% in 2007). This is set against the steady increase in the number of TSX companies including at least some sustainability information in their annual reports or in a stand-alone report from 70% in 2005 to 80% in 2007, up from 35% in 2001.

## Global Reporting Initiative

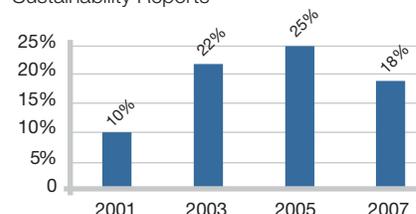
Forty-five percent of Canadian sustainability reporters used the GRI Guidelines in 2007, up from 35% in 2005. While the majority of companies using the GRI are still using the 2002 Guidelines (over 85%), there are signs of uptake in use of the G3 Guidelines released in late 2006, which are actively used by seven companies. Of the seven Canadian sustainability reports that were assessed as part of this study, six referenced the use of the GRI or reported in accordance with the Guidelines. We take a more detailed look at approaches to using the GRI Sustainability Reporting Guidelines on page 30.

## Trends at a Glance

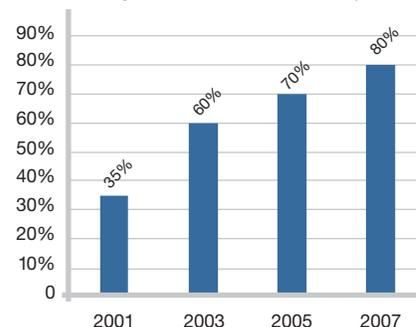
Canadian Sustainability Reporters



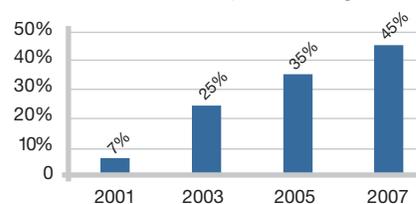
Percent of TSX Composite Index Producing Sustainability Reports



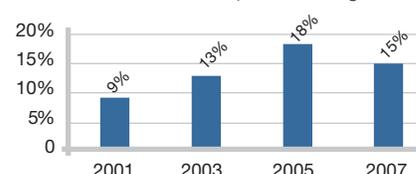
Percent of TSX Composite Index Disclosing Sustainability Information in Public Reports



Percent of Canadian Reporters Using GRI



Percent of Canadian Reporters Using Assurance



<sup>1</sup> <http://www.nrtee-trnee.ca/eng/publications/working-paper-series/working-paper-17-eng.PDF>

<sup>2</sup> TSX Composite listed companies identified as of August 30, 2007.

<sup>3</sup> In order to identify Canada's sustainability reporters, Stratos looked at the websites of 379 companies drawn from lists such as the TSX Composite Index, Report on Business Magazine's top 100 companies by revenue and top crown corporations, winners of the Canadian Institute of Chartered Accountants (CICA) corporate reporting awards (sustainable development category), and Corporate Knight's 2007 Best 50 Corporate Citizens.



## Assurance

The use of assurance in sustainability reporting continues to be a dynamic area. We see a slight dip in the use of assurance with 15% of Canadian companies assuring their reports in comparison to 18% two years ago. The mix of assurance approaches used by Canadian companies is shifting, with heavier reliance placed on internal assurance and stakeholder-led processes, with the latter now used in 50% of assured reports.

Third-party auditing of reports continues to be the approach of choice with over 80% of assured reports using this approach. The big four audit firms are starting to dominate with more than half of companies who choose third-party auditing engaging a big four firm.

Who Assures	
13%	Internal Audit
44%	Big Four Audit Firms
38%	Non-big Four Audit Firms
50%	Stakeholder Groups

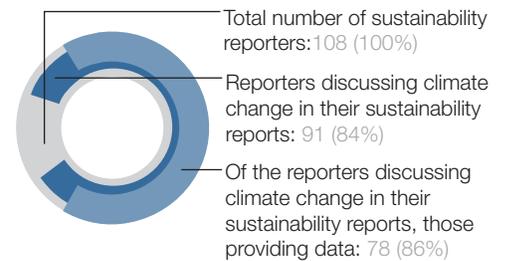
Of the 379 companies that we reviewed for sustainability information, 34% discuss climate change in their sustainability and/or annual reports; of these companies, 67% provide supporting performance data. Similarly on Aboriginal relations, 22% discuss the issue; of these companies, 37% provide supporting performance data.

When we look more closely at Canadian sustainability reporters, Aboriginal relations and climate change are clearly material issues. Climate change is covered in 84% of sustainability reports, and 86% of these reports include supporting data, suggesting that systems to track and report on climate change performance are becoming well developed.

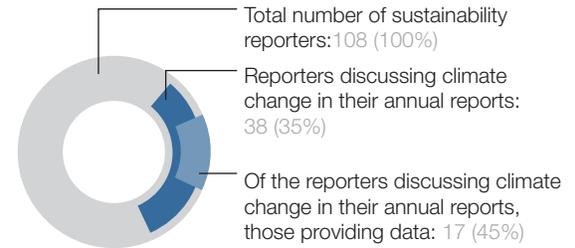
Aboriginal relations is covered by 51% of sustainability reports, and 44% of these reports include supporting data such as Aboriginal employment or spending on procurement with Aboriginal businesses.

Reporting on these issues is lower if we consider coverage strictly within the annual reports of sustainability reporters, with 35% of sustainability reporters covering climate change (45% of which provide data) and 20% covering Aboriginal relations (27% of which provide data) in their annual reports. The relatively widespread coverage of climate change in annual reports suggests a growing recognition that climate risks are material to business performance.

Climate Change: Sustainability Reporters



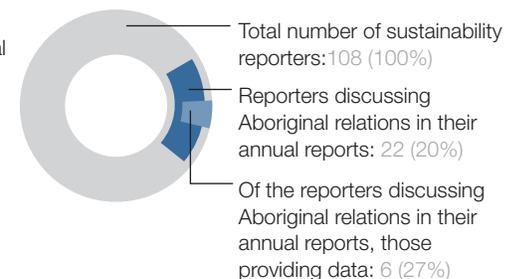
Climate Change: Annual Reports of Sustainability Reporters



Aboriginal Relations: Sustainability Reporters



Aboriginal Relations: Annual Reports of Sustainability Reporters



## Reporting on Key Issues

Two key issues rank high in the minds of Canadian companies – climate change and Aboriginal relations. We have tracked which companies report on these issues in their annual or sustainability reports, and which companies provide performance data.

# Canadian Corporate Sustainability Reporting Overall Findings

The seven companies assessed in the study are recognized sustainability reporting leaders, having all scored in the top 10 in previous Stratos benchmark surveys. The top mark achieved by a company assessed in the benchmarking component of this study was 78% with all companies scoring over 58%. The quality of reporting among these seven reporting leaders is high, with just five points separating the top three and only a 28 point spread across all companies.

The reports of these seven leading companies are generally strong in describing the context for their operations and the sustainability challenges and opportunities they face (**Context and Coverage** and **Leadership and Direction**). Reporting on **Environmental Performance** and **Economic Performance** is also strong, and reporters use sophisticated approaches to communication and ensuring the credibility of the information presented (**Quality, Credibility and Communications**). The quality of reporting on stakeholder engagement (**Stakeholder Relations**) is far more mixed. Reporting on influence on sustainability performance in the corporate value chain (**Influence Up and Downstream**) is a particular weakness in a number of reports.

Of the four performance categories – **Environmental, Economic, Social** and **Integrated – Economic Performance** is particularly strong, reflecting the success of corporate efforts in reporting on socio-economic impact.

## Drilling down to specific criteria, some interesting findings emerge:

- > *The quality of reporting on corporate sustainability vision and the links to corporate goals and priorities is good, hinting at better integration of sustainability in business planning.*
- > *Strong reporting of health and safety performance highlights the maturity of management approaches in this area.*
- > *Weaker reporting on water and material inputs suggests that there is still work to be done on some aspects of environmental reporting.*
- > *Reporting on the influence of companies on sustainability performance in their value chain is limited, offering potential differentiation for companies who cover this area systematically.*

## Leading Reporters Assessed in the Study

BC Hydro

Enbridge

Suncor

Synchrude

TELUS

TransAlta

Vancity





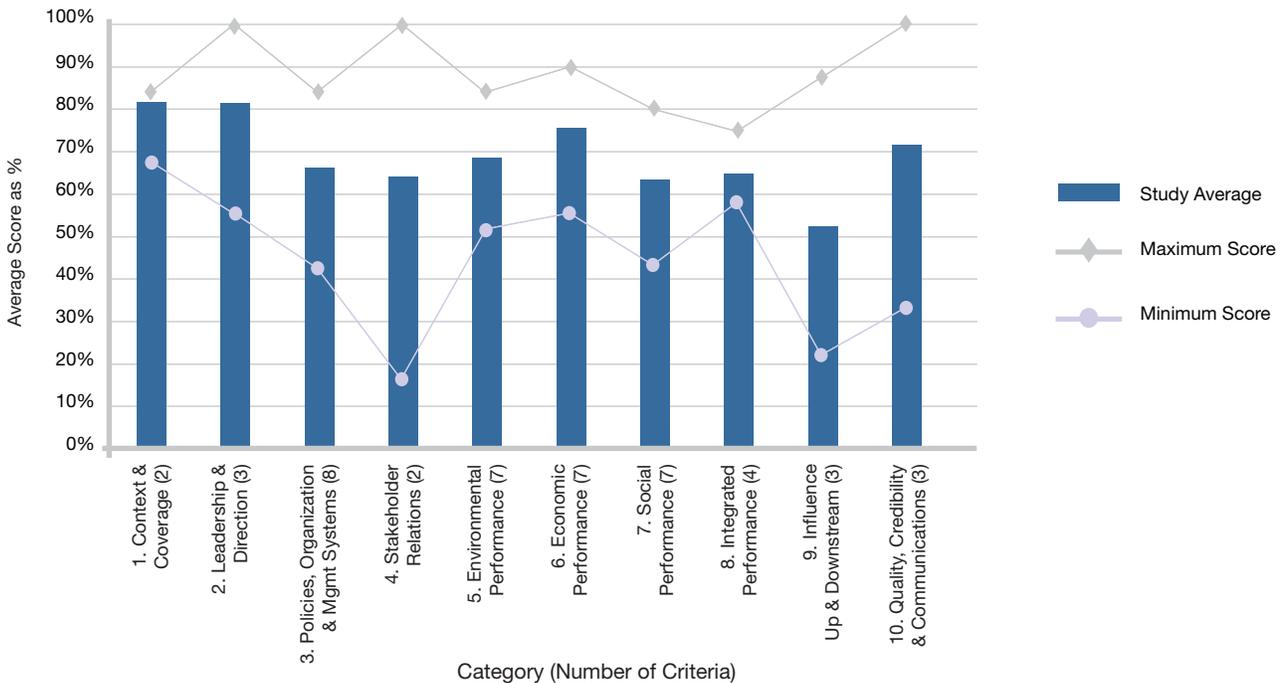
### Top Five Criteria (Category)

Company Profile	(Context and Coverage)
Corporate Vision	(Leadership and Direction)
Key Financials	(Economic Performance)
Community Development	(Economic Performance)
Health and Safety	(Social Performance)

### Bottom Five Criteria (Category)

Water and Material Inputs	(Environmental Performance)
Human Rights	(Social Performance)
Business Ethics and Integrity	(Social Performance)
Supply Chain Management	(Influence Upstream and Downstream)
Customer/Consumers	(Influence Upstream and Downstream)

Maximum, Minimum and Average Scores by Category



# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category I

### Context and Coverage

#### Top Scores:

BC Hydro, Enbridge, Suncor, TELUS, TransAlta, Vancity

This category measures the degree to which the report informs the reader about what the company does, the scope and scale of its operations, and the scope and materiality of issues in the report.

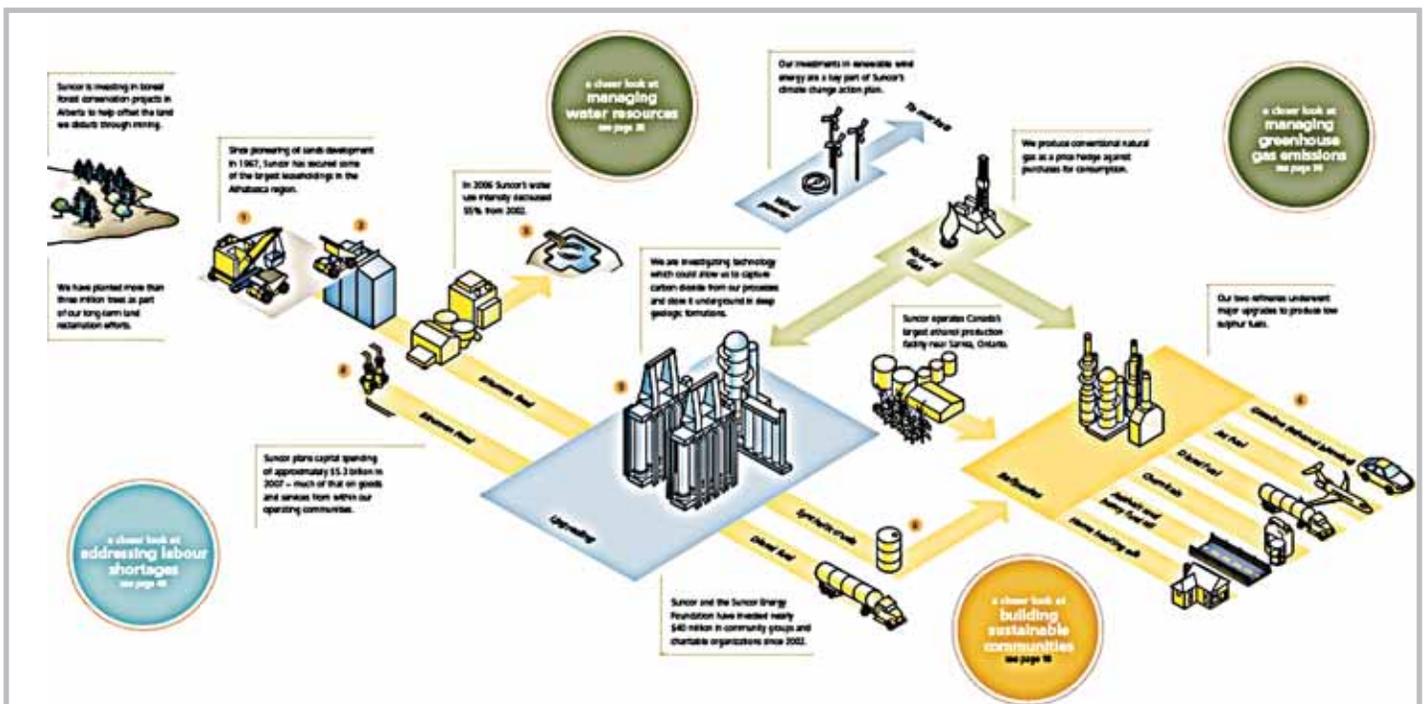
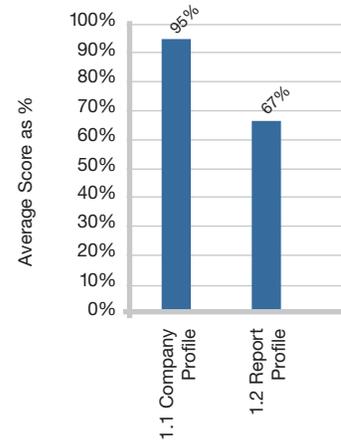
All of the companies score highly on Context and Coverage, and six companies share the top spot. These reporters are adept at describing their business and the sustainability issues they face (with an average score of 95% on *company profile*) while scoring on the quality of

the *report profile* – which assesses disclosure on the approach to setting geographic, organizational, temporal and issue coverage of the report – is lower (67%). None of the reports fully identify the process for determining report content, with few of the companies providing clarity on their issue priorities, a topic we examine in more detail on page 28.

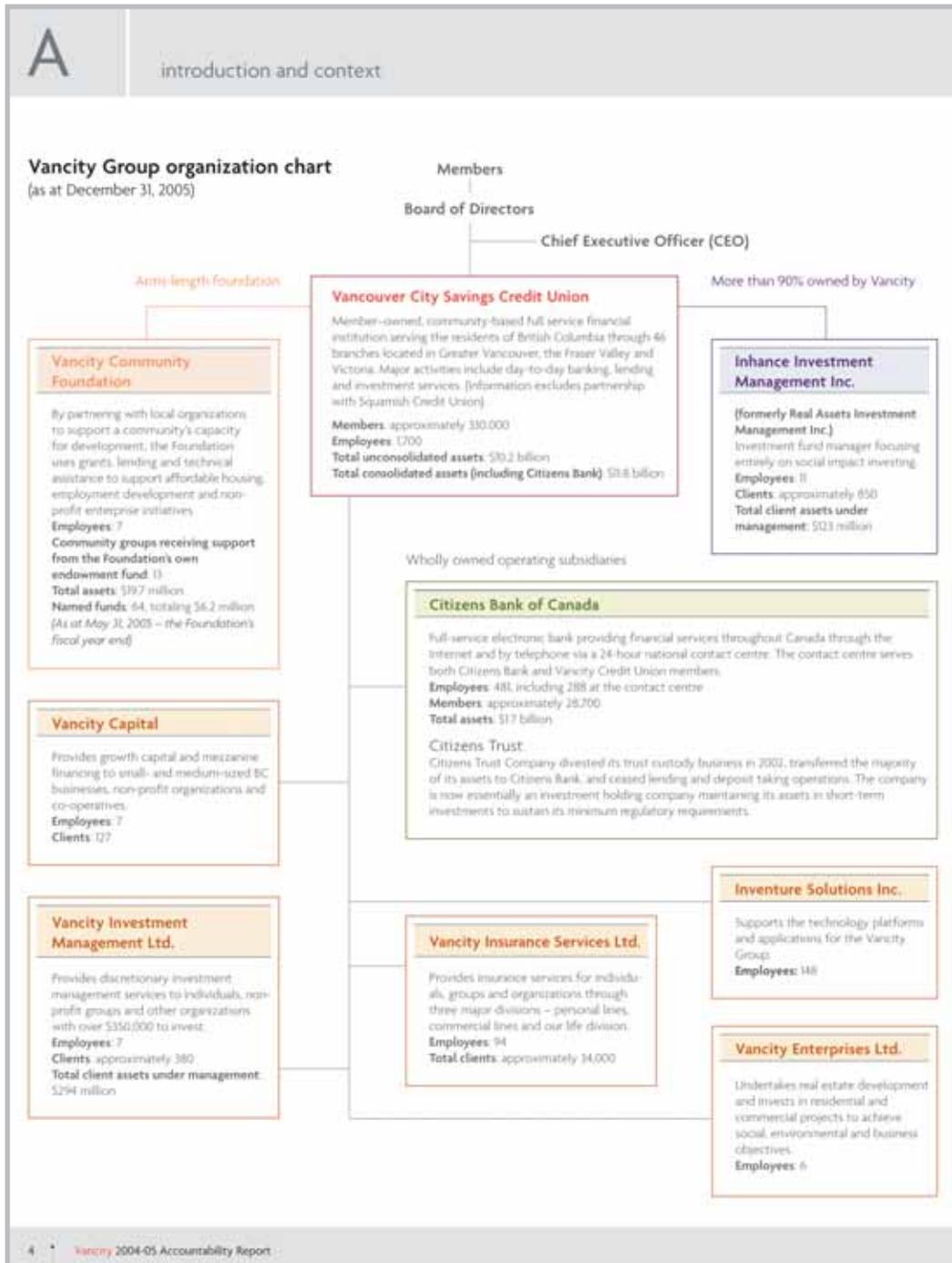
#### Best Practices

- > **Suncor** provides a good schematic diagram and description of the company's operations.
- > **Vancity** clearly communicates its organizational structure and the different companies that make up the group.

Category 1: Context and Coverage



Source: Suncor 2007 Report on Sustainability, foldout.



Source: Vancity 2004-05 Accountability Report, p. 4.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 2

### Leadership and Direction

#### Top Scores:

BC Hydro, TransAlta

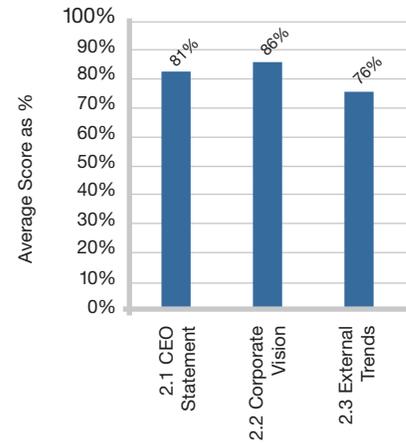
The three criteria in this category measure how well the report describes the significant challenges and opportunities related to sustainability that the organization faces, how it plans to address these challenges and capitalize on these opportunities, and how it intends to position itself in the future.

Overall performance on Leadership and Direction is strong, with an average score of 81%. Performance is strongest on *corporate vision* at 86%, with the seven leading companies doing a good job describing their corporate vision and how it integrates economic, environmental and social performance.

#### Best Practices

- > **BC Hydro** presents the company's five core values, as well as 15 long-term goals that will guide the business over the next 20 years, including progressive commitments related to safety, environmental impact, and electricity conservation and efficiency.
- > **Suncor** clearly articulates the company's vision and strategy to become a sustainable energy company, including presenting a strategic framework to achieve this goal.
- > **TransAlta's** CEO statement includes a compelling discussion of climate change – a key issue for the company.

Category 2: Leadership and Direction



Source: **Suncor** 2007 Report on Sustainability, p. 8.



APPENDICES X

## Long Term Goals

BC Hydro has established 15 long-term goals to guide our business over the next 20 years and ensure we continue to provide reliable power, at low cost, for generations.

LONG-TERM GOAL	EXPLANATION
RELIABILITY (SUPPLY)	→ To provide electricity self-sufficiency (energy and capacity) in B.C. for meeting all domestic needs.
RELIABILITY (CUSTOMER)	→ To have the best-in-class reliability by customer segment.
CUSTOMER SATISFACTION	→ To lead other companies in offering extraordinary value and service.
REMOTE COMMUNITY ELECTRIFICATION	→ To provide appropriate electric service to all remote communities on an equitable basis.
WORKPLACE	→ To be the top employer for generations.
TEAMWORK	→ To use exceptional teamwork to engage all employees in the achievement of BC Hydro's purpose and long-term goals.
SAFETY	→ To provide the safest work environment compared with the best performers in any industry, with none of our employees experiencing a serious safety injury.
FIRST NATIONS	→ To improve relationships built on mutual respect and that appropriately reflect the interests of First Nations.
SUPPLIERS	→ To ensure 100 per cent of suppliers have demonstrated values congruent with those of BC Hydro.
ENVIRONMENTAL IMPACT	→ To have no net environmental impact by 2025.
ELECTRICITY CONSERVATION AND EFFICIENCY	→ To develop and foster a conservation culture in B.C. that leads to customers to choose a dramatic and permanent reduction in electricity intensity.
FINANCIAL TARGETS	→ To maintain existing position of having costs among the lowest in North America and to deliver 100 per cent forecast net income on an annual basis.
WESTERN OPPORTUNITIES	→ To profitably increase Western market share based on access to assets in B.C. and the Western system and increased trading activity.
INNOVATION AND TECHNOLOGY	→ To be an industry leader in innovation use of technology, directly supporting and advancing BC Hydro's long-term goals.
STAKEHOLDER ENGAGEMENT	→ To be the most respected company in B.C.

Source: 2007 BC Hydro Annual Report, p. 123.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 3

## Policies, Organization and Management Systems

### Top Score:

Enbridge

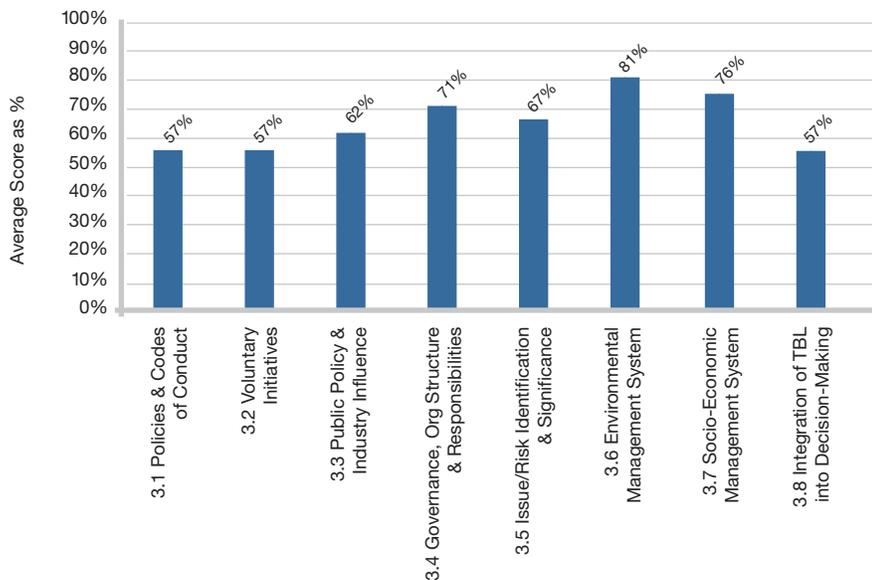
**This category assesses the quality of reporting on the company's relevant sustainability policies, procedures, management systems and decision-making structures.**

Reporting on Policies, Organization and Management Systems is variable across the eight criteria. Reporting on *environmental management systems* (EMSs) and *socio-economic management systems* is strong with an average score of 81% and 76%, respectively, suggesting maturity in these management approaches. Reporting on *policies and codes of conduct*, *voluntary initiatives*, and *integration of triple-bottom line (TBL) considerations into decision-making* is weaker with average scores of 57% for all three criteria. Low scores on *policies and codes of conduct* were often the result of reports not including enough information on policies. Most often missing in *voluntary initiatives* were discussions of the company's involvement in and outcomes of these initiatives.

### Best Practices

- > **BC Hydro** discusses the company's Triple Bottom Line Project, undertaken to develop a framework and tools to help ensure more consistent and effective TBL decision-making.
- > **Enbridge** presents a CSR integration case study on their Waupisoo pipeline, demonstrating how the company puts CSR into practice.
- > **Suncor** highlights their public policy direction and positions for six key issues, including climate change and labour shortages.
- > **Vancity** discloses the members of its executive team that are held accountable for each target related to sustainability performance.

Category 3: Policies, Organization and Management Systems



## BUILDING PIPELINES WITH PEOPLE IN MIND

### A CSR CASE STUDY

Our work on planning and building the Waupisoo Pipeline is an excellent example of how we put corporate social responsibility into practice to build lasting relationships with all of our stakeholders.

Source: **Enbridge** 2007 Corporate Social Responsibility Report foldout, p. 13.



issue	policy direction	
●	<b>oil sands royalties and taxes</b>	Royalties should deliver a fair return to the Government of Alberta as the owner of the resource, while also providing industry with a competitive and stable fiscal framework on which to base long-term investment decisions.
●	<b>climate change</b>	Climate change is a risk that needs to be appropriately acted upon and managed. Governments should deliver climate change policies that do not unfairly target any industry or region and that benefit our environment without damaging Canada's economy. Federal and provincial harmonization of climate change regulations is key.
●	<b>carbon capture and storage technology</b>	Suncor is working with industry and government to develop policies and infrastructure to support a large-scale CO <sub>2</sub> capture and storage network. Fiscal and policy support from governments is critical to the viability of such a network.
●	<b>public infrastructure needs</b>	Provincial and federal governments need to provide enhanced infrastructure and services in the Regional Municipality of Wood Buffalo to support quality of life and economic growth for the community.
●	<b>skilled labour shortages</b>	Innovative labour practices are required to support labour mobility. Longer term strategies are also needed to increase the number of skilled workers available for all employers.
●	<b>Aboriginal capacity building</b>	Canadian governments and industry need to work with Aboriginal stakeholders to build capacity. Aboriginal people should share in the economic benefits of industrial development.

Source: **Suncor** 2007 Report on Sustainability, p. 10.

### The Triple Bottom Line Project

To achieve our purpose and long-term goals, BC Hydro is integrating financial, environmental, and social considerations (the "Triple Bottom Line") in how we plan and manage our business. This is included in our decision-making process across the company and at a Board level. Building on our experience in Water Use Planning and Integrated Electricity Planning, employees from across the company undertook the Triple Bottom Line (TBL) Project to develop a framework and tools to help ensure more consistent and effective TBL decision-making.

In one application of the framework, options for providing electricity to the community of Atlin in northern British Columbia were assessed based on their financial, environmental, and social attributes. When all factors were considered, a small hydro project was selected as the preferred option over continued use of diesel generators.

The framework and tools will assist in making decisions of any type and scale, whether they involve purchasing office supplies, disposing of waste, extending power lines, or deciding how best to achieve energy conservation. While the initial focus was to ensure that environmental and social factors are consistently integrated in decision-making, the TBL framework and tools will enable a better and more consistent approach to decision-making overall.

Source: 2007 **BC Hydro** Annual Report, p. 56.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 4 Stakeholder Relations

#### Top Score:

Vancity

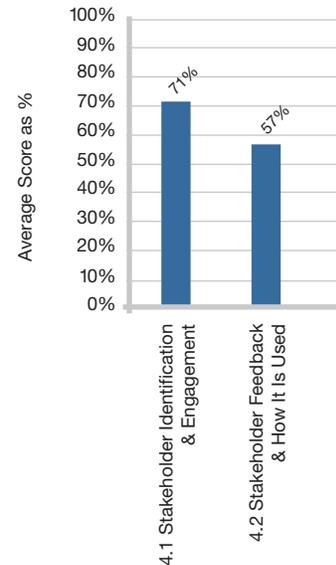
**This category assesses how well the report describes the company's stakeholders, how it solicits their input and how the company considers their input in its decision-making processes and in determining the content of its report.**

The results of this category suggest that while companies are adept at identifying their key stakeholders and the mechanisms used to engage them (criterion 4.1), there is less comfort with direct disclosure of stakeholder feedback and how it is used to drive improvements and decision-making (criterion 4.2).

#### Best Practices

- > **BC Hydro, Enbridge, Suncor, TELUS and Vancity** seek feedback on their reports from external stakeholder/expert advisory panels.
- > **BC Hydro** reports on a number of innovative stakeholder engagement mechanisms, including a Community Advisory Committee to the Board of Directors, and an Electricity Conservation and Efficiency Advisory Committee that helps generate new ideas to build a conservation culture in B.C.
- > **Vancity and TELUS** provide details of the feedback received from stakeholders on their reports, and also communicate how they have responded to this feedback.

Category 4: Stakeholder Relations



#### The Value of Stakeholder Input

There is growing consensus among leading reporters in Canada on the value of stakeholder commentary and feedback on reporting, an approach used by five of the seven leading reporters in our study.

The approaches to stakeholder involvement in reporting activities fall into two categories:

- > Appointment of a stakeholder panel to provide critical feedback and challenge on report development, some providing an assurance-style statement in the report.
- > Stakeholder workshops or feedback sessions to provide pre- or post-publication comment.



#### Involving stakeholders in the reporting process can provide numerous benefits:

- > Direct feedback on whether the report meets the information needs of key stakeholders.
- > Input to issue identification and materiality processes.
- > Focused recommendations on areas for improvement.
- > Demonstrates the responsiveness of the reporter to stakeholders.
- > Assurance for readers that the report meets stakeholder needs.
- > Assurance for the reporter that controversial issues have been identified and managed to stakeholder satisfaction.
- > Improved relationships with key corporate stakeholders.



# B

## report assurance

### Our response to stakeholder feedback

We've incorporated the feedback received in this report wherever possible, given time and budget constraints. We clarified and provided more detail in many highlighted areas. We re-ordered some sections and moved the data tables closer to the relevant text. We also revised and added more spotlights on performance. In terms of suggested additional measurements, we addressed employee turnover and buildings leased/owned. We'll consider the others for our next report and will involve members, employees and stakeholders when deciding what to include.

**More on our website:**  
[vancity.com/accountability05/B/webinfo](http://vancity.com/accountability05/B/webinfo):



- Detailed report on feedback received from stakeholders

Where participants highlighted our response to key findings as inadequate, the executives responsible were informed and asked to consider either developing or revising a response. The responses in this report reflect these changes.

Source: **Vancity** 2004-05 Accountability Report, p. 14.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 5 Environmental Performance

#### Top Score:

Vancity

**This category assesses how well the report describes the company's past and current environmental performance. A report should address all relevant material and resource inputs and environmental outputs; provide trend data; explain how and why changes have occurred over time; and describe what level of future performance the company commits to achieve.**

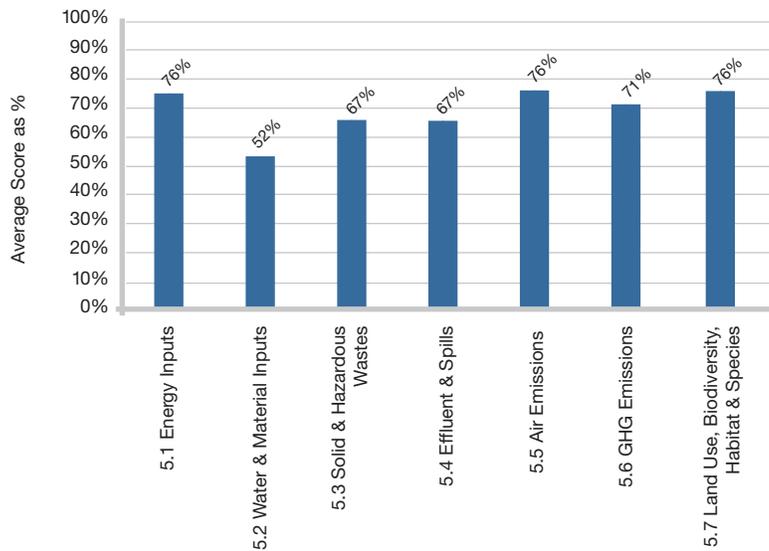
The growing concern over climate change was a highlight in these reports, however, reporting on *greenhouse gas (GHG) emissions* scores slightly lower than other criteria, reflecting that GHG data and targets are still a work in progress for some companies. Reporting on *energy inputs, air emissions and land use, biodiversity, habitat and species* is strong at 76%. Environmental performance reporting is weakest on *water and material inputs*, with few companies providing good data on their major material inputs.

#### Best Practices

- > **BC Hydro** identifies energy savings resulting from the use of demand-side management, and sets future targets.
- > **Suncor** uses benchmarks to compare its GHG, SOx and NOx performance against that of the broader industry.
- > **TELUS** compares its water consumption to domestic water consumption rates and sets a future target to improve water monitoring coverage.

See page 32 for an in-depth discussion of reporting on climate change.

Category 5: Environmental Performance



Performance Measure	Actual F2005/06	Forecast F2006/07	Target 2006/07	Target 2007/08	Target 2008/09	Target 2009/10
Demand Side Management (DSM) (GWh/Year, rounded)	2,000	2,500	2,500	2,800	3,300	3,800
<p><b>Description:</b> The DSM measure reflects the cumulative annual rate of electricity savings resulting from DSM activities (conservation, energy efficiency and load displacement) since fiscal 2001/02.</p> <p><b>Rationale/Benchmarks:</b> The DSM measure reflects the cumulative annual rate of electricity savings resulting from DSM activities since fiscal 2002. It gauges the contribution of DSM to closing BC Hydro's demand-supply gap. For example, targets in fiscal 2009 and 2010 reflect a reduction in forecast load growth of about 0.8 per cent. Without incremental DSM, forecast load growth would be 2.3 per cent, compared to 1.5 per cent with incremental DSM. Targets reflect the 2006 Integrated Electricity Plan's recommended DSM target of 10,000 GWh by fiscal 2025.</p>						

Source: **BC Hydro** Service Plan 2007/08 to 2009/10, p. 31.

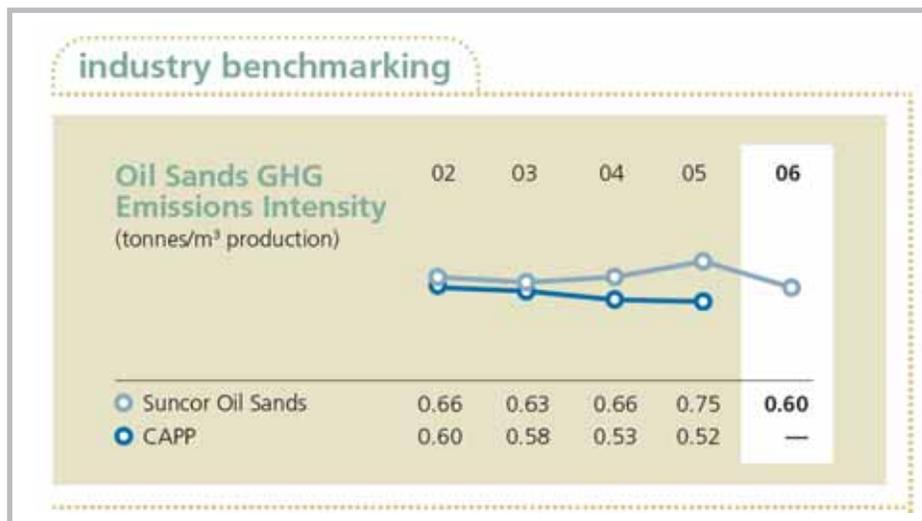


TELUS water consumption			
	2006	2005	2004
Total measured use (cubic metres)	1.5 million	1.04 million	1.0 million
Total estimated use <sup>1</sup> (cubic metres)	1.7 million	1.7 million	1.8 million
Estimated per cent of use	88%	60%	55%
Water <sup>2</sup> (cubic metres per team member)	65/yr	65/yr	70/yr
Canadian norms (domestic) <sup>3</sup> (cubic metres)	125/yr	125/yr	125/yr

1 Projected based on number of facilities with water consumption as percentage of total.  
 2 Based on measured use at selected TELUS facilities, divided by team members at those facilities, not including TELUS International.  
 3 Environment Canada website (ec.gc.ca/water).

**2006 target:** Capture 80% of total water use.  
**2006 results:** 88% of total estimated water use monitored.  
**2007 objective:** Capture 90% of total water use. Monitor approximately 100% by 2008.

Source: TELUS 2006 Corporate Social Responsibility Report, p. 62.



Source: Suncor 2007 Report on Sustainability, p. 55.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 6

### Economic Performance

#### Top Score:

Suncor

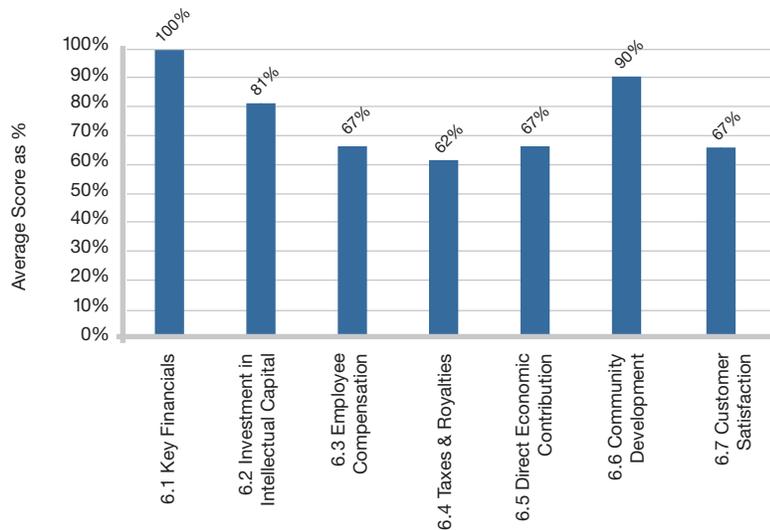
**This category assesses how well the report describes the company's past and current economic performance, including both financial performance and broader economic contributions to, and impacts on, local and national economies.**

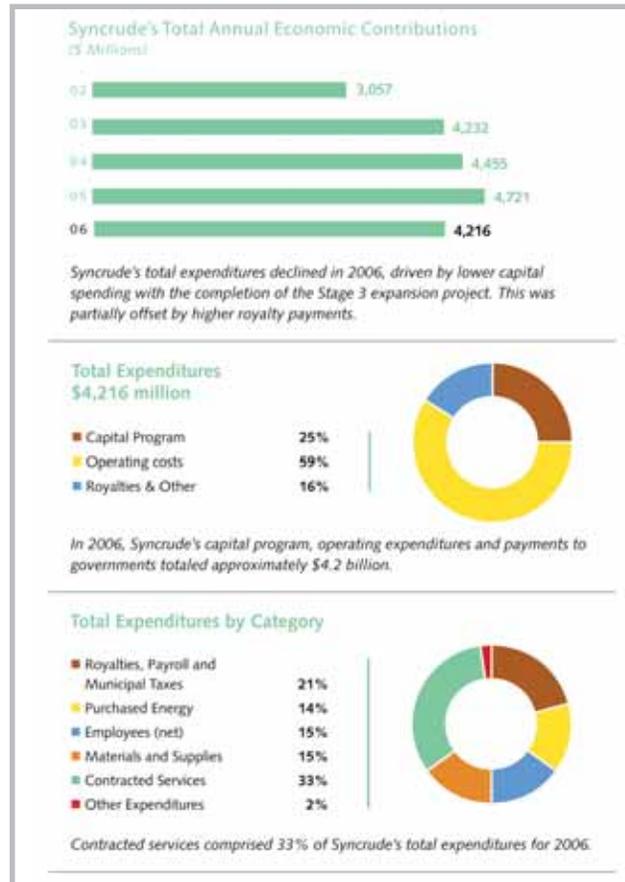
All companies receive top marks for reporting on *key financials* with information either presented in sustainability reports or linked to annual reports. Reporting on *community development* is high at 90%, with information on financial and in-kind support for community development now routine. Reporting on *taxes and royalties* is less developed with data broken down by taxing authority rare, and few of the study companies in the extractive sector reporting on royalty payments.

#### Best Practices

- > **Syncrude** provides a range of data on direct economic contributions, including total annual economic contributions, expenditures, procurement of goods and services, cumulative payments to governments, and royalty payments.
- > **Vancity** provides a wealth of information on community development including information on their grants to social enterprises.

Category 6: Economic Performance





Source: **Syncrude** 2006 Sustainability Report, p. 21.

Social enterprises supported by use of funds		
	Number of grants	Total grant dollars
Business planning and organizational development	3	\$150,000
Capital purchase and investment	2	\$35,000
Marketing, organizational and product development	6	\$222,000
Working capital	5	\$183,750
<b>Total</b>	<b>16</b>	<b>\$590,750</b>

Source: **Vancity** 2004-05 Accountability Report, p. 70.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 7 Social Performance

#### Top Scores:

BC Hydro, Suncor

**This category assesses how well the report describes the company's past and current social performance, including human resources and labour issues, health and safety, human rights, business ethics and relations with Aboriginal Peoples.**

Reporting on Social Performance is mixed, with sophisticated approaches in place for *health and safety* and *human resource management and employee relations*, but weaker disclosure on *human rights*, as well as *business ethics and integrity*. The very low score on *human rights* (38%) is a reflection of the low materiality of human rights issues for most of the companies in the study that have only Canadian operations. Issues related to discrimination and harassment are covered under *workplace diversity* and *labour rights* criteria in our methodology.

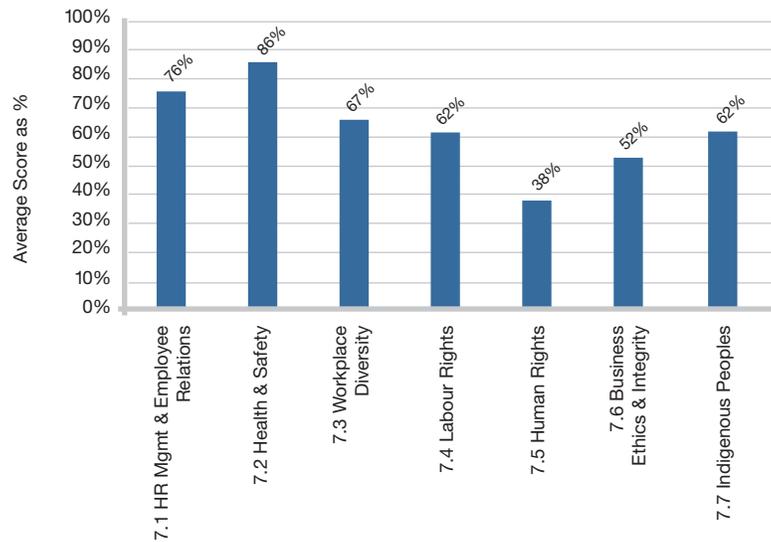
Reporting on *human resource management and employee relations* and *workplace diversity* is well established with the seven leading companies tracking information on the general quality of workplace life and the diversity of their workforces. Six of the seven companies in the study report on employee surveys or focus groups.

#### Best Practices

- > **Enbridge** discusses its human rights policy and program in Columbia, which includes extensive education and awareness training.
- > **Synchrude** produces a review of its approach and performance on Aboriginal engagement. They use innovative approaches to reporting activities in this area including interviews with Aboriginal Youth and include a range of performance information on employment, education, business development and leadership.

See page 34 for an in-depth discussion of reporting on Aboriginal Relations.

Category 7: Social Performance







**Making a Difference in Colombia**

Four years ago, OCENSA provided funding for the construction and operation of a kindergarten in the general area of Medellin, Colombia. It has since become an oasis of support for 100 children and their parents.

For most of the children, this school is their first experience with new clothes, running water, desks, and a television. They learn about hygiene, children's rights, how to colour and how to laugh.

"Staying was an experience so uplifting that it took my breath away," said OCENSA's Susan Miller. "The kids were so happy when we arrived and always emerged from the classroom, shy, tentative and nervous. In less than two minutes, they were in our arms, wrapped around our legs and hanging from our shoulders, giggling and grinning. They love to be held, they like to touch your face and they want to whisper little secrets to you too."

**PROMOTING HUMAN RIGHTS**

In cooperation with our OCENSA partners, we have taken action to create awareness, understanding and respect for human rights in Colombia, a long-established democracy but also a country with an ongoing conflict involving guerrilla rebel groups and paramilitary groups.

OCENSA adopted a detailed Human Rights Policy and Code of Conduct in 2004 for all employees to follow. The Human Rights Policy specifically commits OCENSA to respect human rights, and obligates employees and contractors to reject violence and to avoid associating with any of the illegal armed groups that are fuelling Colombia's ongoing conflict. OCENSA's Code of Conduct reinforces the Human Rights Policy. All OCENSA employees are required to sign the Code annually to indicate their understanding and acceptance of the Code.

OCENSA has appointed a Human Rights Coordinator, who tracks and audits the company's human rights practices and monitors employees' and contractors' compliance with the Human Rights Policy.

In the last four years, an extensive education and awareness program on human rights has been implemented, with seminars and training programs facilitated by Latin American institutions accredited in human rights. In 2006, the University Sergio Arboleda designed and conducted 12 human rights conferences specifically for OCENSA's employees and contractors, focusing on increasing knowledge

of rights and obligations under international law and the constitution of Colombia.

Source: **Enbridge** 2007 Corporate Social Responsibility Report, p. 58.

**Business Development**

A new award to recognize young entrepreneurs

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A billion dollars for Aboriginal business

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Contracts to Aboriginal companies

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Business Association creates networks of prosperity

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**A billion dollars for Aboriginal business**

**Fifteen years after setting an annual minimum target for Aboriginal business procurement, Syncrude has reached the milestone of having spent a cumulative \$1 billion with First Nations- and Métis-owned companies. This achievement represents both the ongoing strength of Syncrude's relationship with the Aboriginal business community, and the increasing capacity of Aboriginal firms to compete and succeed.**

**In 2006, our procurement amounted to an estimated \$130 million based on 27 active contracts with Aboriginal firms representing all of the Aboriginal communities in our region. It's the third straight year of more than \$100 million worth of business.**

Source: **Syncrude** [www.syncrude.ca/aboreview/](http://www.syncrude.ca/aboreview/).

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 8 Integrated Performance

#### Top Score:

Suncor

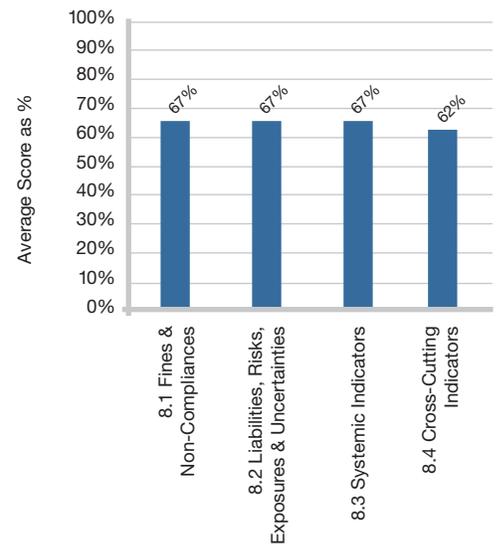
This category assesses the quality of reporting on performance measures which illustrate inter-relationships between economic, social and environmental issues and put corporate performance in context of regional, national and industry performance.

Scoring on Integrated Performance is fairly consistent with an average score of 66% across the category. Among the seven reports assessed in this study there are clear signs that companies are looking to present information in ways that link their sustainability performance to regional, national and sectoral benchmarks. This helps companies put performance in context and manage expectations on their ability to impact global, national and regional sustainability trends.

#### Best Practices

- > **Enbridge** provides comprehensive compliance data for each business segment, reporting on major incidents, regulatory notifications, and EH&S fines and penalties.
- > **Suncor** and **TransAlta** provide performance information related to many environmental, social and economic systemic indicators.

Category 8: Integrated Performance



environmental performance	regional	national
Greenhouse gas (GHG) emissions	4.4% of Alberta's GHG emissions (2004) 9.1% of Alberta's upstream oil and gas sector GHG emissions (2005) 25.6% of Alberta's oil sands GHG emissions (2005)	1.4% of Canada's GHG emissions (2004) 6.7% of Canada's petroleum industry GHG emissions (2004)
Sulphur dioxide (SO <sub>2</sub> ) (2006)	28.5% of oil sands regional study area SO <sub>2</sub> emissions <sup>1</sup>	4.7% of Canada's upstream oil and gas sector SO <sub>2</sub> emissions (2005)
Nitrogen oxide (NO <sub>x</sub> ) (2006)	11.3% of oil sands regional study area NO <sub>x</sub> emissions <sup>1</sup>	
Area disturbed by oil sands development (2005)	0.7% of oil sands regional study area	
Boreal forest disturbed by oil sands development (2004) <sup>2</sup>		0.003% of Canada's boreal forest
Fresh surface water use (2006)	8.1% of the existing surface water licence allocations from all industrial users of the Athabasca River watershed Licensed water withdrawal averages 0.3% of the Athabasca River water flow on an annual basis	

Sources: Alberta Environment, Environment Canada's Greenhouse Gas Division, Canadian Association of Petroleum Producers (CAPP) Stewardship Progress Report (2006), Suncor's Voyageur and North Steepbank Mine Extension Applications to the Alberta Energy and Utilities Board (2005), Suncor's Firebag Application (2005), Natural Resources Canada, Canadian Boreal Initiative.

<sup>1</sup> SO<sub>2</sub> and NO<sub>x</sub> emissions in the oil sands regional study area includes all existing and currently approved industrial emission sources at full operation.  
<sup>2</sup> No new data available – same data reported in 2005.

Source: **Suncor** 2007 Report on Sustainability, p. 54.



Economic Performance	Regional	National
Electricity production	40.7% of Alberta's production	0.5% of Canada's production
	1.0% of Ontario's production	0.2% of U.S. production
	89.0% of Washington's production	0.7% of Australia's production
		1.2% of Mexico's production
Electricity workers	6.4% of Alberta's electricity workers	1.4% of Canada's utility workers
	0.3% of Ontario's electricity workers	0.3% of U.S. utility workers

Source: **TransAlta Corporation** 2006 Report on Sustainability, p. 94.

## LIQUIDS PIPELINES

	2006	2005	2004	2003	2002
<b>OPERATIONS</b> <sup>1</sup>					
Deliveries ( <i>thousands of barrels/day</i> ) <sup>2, 3</sup>	<b>2,166</b>	2,008	2,138	2,189	2,088
Barrel miles ( <i>billions</i> ) <sup>3, 4</sup>	<b>794</b>	695	757	710	705
Kilometres of right-of-way <sup>5</sup>	<b>12,175</b>	11,082	11,074	10,240	10,309
Number of employees <sup>6</sup>	<b>1,497</b>	1,293	1,213	1,148	1,124
<b>EH&amp;S MANAGEMENT</b>					
Major incidents <sup>7</sup>	<b>8</b>	6	3	7	9
Regulatory notifications <sup>8</sup>	<b>2</b>	4	5	7	1
EH&S fines and penalties ( <i>thousands of dollars</i> ) <sup>9</sup>	<b>0</b>	0	6	0	0
EH&S professionals ( <i>full-time</i> )	<b>39</b>	32	28	25	22

Source: **Enbridge** 2007 Corporate Social Responsibility Report, p. 66.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 9

## Extending Influence Upstream and Downstream

### Top Score:

BC Hydro

**This category assesses how well the report describes the company's environmental, social and economic impacts both upstream (i.e. within the supply chain) and downstream (i.e. as a result of the company's products or services) and how the company manages or influences these impacts.**

Extending Influence Upstream and Downstream is the weakest category overall. Nevertheless, there is evidence that companies are starting to explore reporting in this area, which provides a real opportunity for competitive differentiation. We expect disclosure on product sustainability performance to be an area of rapid progress in future years as more companies explore ways to reduce the impact of their products and services, especially in relation to climate change.

### Best Practices

> **BC Hydro** is a clear leader in reporting on product and service stewardship, providing information on a range of programs and performance related to reducing energy consumption and peak demand, including:

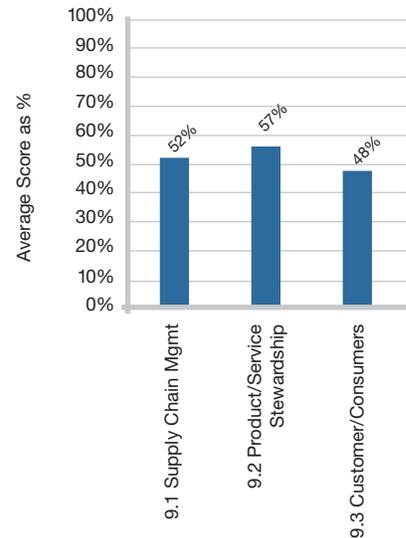
- Program and performance information and targets for Power Smart, the company's initiative to reduce energy consumption at homes and businesses;
- The number of Green Power Certificates sold, which are supplied from certified green generation facilities, and the GHG emissions avoided as a result; and
- Details of programs to reduce peak demand.

> **Enbridge** reports on a range of demand-side management programs and related savings from these programs, including savings to customers.

> **TransAlta** describes several initiatives undertaken in the area of supply chain management, including criteria for choosing suppliers, a commitment to use local vendors, a pilot supplier scorecard for safety performance, and an update of the vendor certification process.

> **Vancity** reports on third-party screening of strategic suppliers to determine their alignment with the company's Baseline Ethical Policy.

Category 9: Extending Influence Upstream and Downstream





### Green Power Certificates

Helping our customers to use energy in a sustainable manner is important to BC Hydro. One of the ways we do this is through the Green Power Certificate (GPC) program, which started in Fall 2002. Each certificate represents the green attributes and emissions reductions from one megawatt hour of Eco-Logo Certified green power generation.

#### Green Power Certificates

Number

	F2004	F2005	F2006	F2007
Certificates Sold	8,651	28,535	44,519	67,084

*Each GPC represents the environmental attributes of generating one megawatt-hour of EcoLogo™ Certified green power. GPCs are offered to BC Hydro's institutional, commercial and industrial customers.*

*This year, 80 organizations participated in the program and purchased certificates representing green power production that would have created over 24,000 tonnes of greenhouse gas emissions if generated by thermal sources. These results, due to customer demand, represent a 50 per cent increase over the previous fiscal year. Companies like CIBC, TransLink and Wal-Mart have made significant commitments toward GPC purchases. Demand for GPCs is expected to grow next year with more organizations recognizing the benefits that GPCs offer.*

Source: **BC Hydro** Annual Report 2007, p. 64.

A new supplier performance scorecarding system was piloted at our Alberta Thermal location in 2006, to improve performance. It includes:

- Assessing how suppliers are meeting TransAlta's safety requirements;
- Tracking of any issues with each supplier; and
- Corrective actions and the timelines within each must be accomplished.

The scorecarding process will be introduced to other TransAlta locations in 2007.

Source: **TransAlta Corporation** 2006 Report on Sustainability, p. 18.

# Canadian Corporate Sustainability Reporting

## Detailed Results by Category

### Category 10

### Quality, Credibility and Communications

#### Top Score:

Suncor

**This category assesses the degree to which a report presents information in an accessible, reliable, balanced and useful manner.**

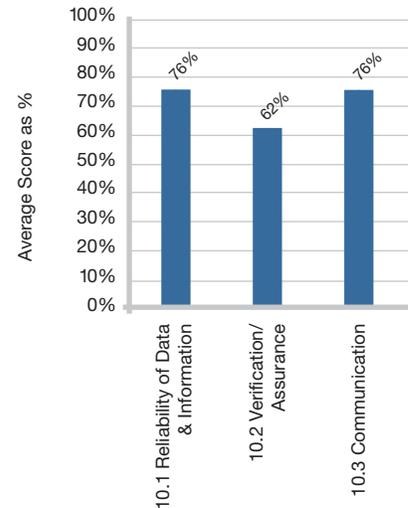
Reporters use a number of approaches for improving the reliability of the information reported, including disclosure of internal audits and footnotes to explain data quality. There is also a strong focus on building reports into effective communication tools with the use of online content becoming common and increasingly sophisticated.

The use of assurance is more mixed with an average score of 62% and four of our seven leaders using internal or external assurance processes, and five of seven using some form of stakeholder feedback mechanism (e.g. stakeholder advisory panel) to add to the credibility of the report. There is significant variation in the type of assurance process and assuror used, suggesting that assurance remains a developing area of reporting strategy.

#### Best Practices

- > **Enbridge, Suncor** and **TransAlta** provide information on the reliability of the data and information in their reports, including detailed footnotes that provide information on specific boundary conditions, changes in methodology, and revisions of historical data.
- > **Suncor, TELUS** and **Vancity** use external verification. In addition to clearly stating the scope and limitations of the audit, **Suncor's** external auditor's report presents overall strengths and areas for improvement.
- > The assurance statement in **Vancity's** report provides specific commentary on the coverage of material issues in the report.

Category 10: Quality, Credibility and Communications





### Discussion and Notes on Numbers

TransAlta continues to improve the accuracy and completeness of sustainability performance reporting to stakeholders. We have reviewed our processes and controls relating to the measurement, calculation, consolidation and reporting of some of our key sustainability data. As a result, we have revised historical data to reflect these improvements. If you would like additional information on the nature of the changes for specific indicators, please see [Contact Us](#) section on page 95 of this report.

Several footnotes appear throughout the statistical summaries and are intended to provide clarity on specific boundary conditions, changes in methodology and definitions.

Source: **TransAlta Corporation** 2006 Report on Sustainability, p. 74.

### auditors' observations

#### areas of strength

- Throughout the duration of our engagement, Suncor demonstrated a strong willingness to properly manage the data pertaining to sustainability indicators and enhance their current data management practices. This "get it right" attitude was evident at all business units and contributed to cooperation during our audit.
- Suncor made consistent use of their enterprise-wide risk matrix to classify incidents at the business units which we audited. This demonstrated a good approach to risk management and appeared to be a rigorous method for ensuring accurate incident classification.

#### areas for improvement

- For many indicators, Suncor collects data every two years in preparation for the report on sustainability. In order to enhance the consistency of calculation methodologies from year to year, Suncor should implement a formal process to collect indicator data on an annual basis. This will also assist with data continuity despite changes in staff members' responsibilities or expansion of operations.
- While general progress was observed since the 2005 audit it was recognized that only minor improvements have been made in the area of data control and quality management. We recommend that each year, subsequent to the data collection process, peers in the same subject matter area review the data calculations in order to minimize errors.
- Business units should share practices for data calculation and collection, particularly where business units have similar operational processes. This will assist in establishing consistency in data tracking, collection and reporting.

The areas for improvement identified result in inefficiencies in both the consolidation and auditing of the performance indicators, but are not believed to have a material effect on the reported performance data.

Source: **Suncor** 2007 Report on Sustainability, p. 57.

# Emerging Issues and Best Practices in Report Strategy and Content

The evolution of corporate sustainability reporting is characterized by shifts in the strategies that inform report design and focus, and the topics that a report addresses. Reporting has transformed from the ad-hoc and single-issue approaches of the 1990's to today's standard-based reports that reflect the dimensions of a company's influence and impact across the sustainability agenda. The development of the materiality concept and the GRI G3 Guidelines are prompting companies to rethink their reporting strategies and focus their reports on the issues of most relevance to the company and its stakeholders.

This section of the report discusses the use of materiality and the GRI in report strategy, and examines reporting on two material issues facing companies in Canada: climate change and Aboriginal relations.

## Report Strategy

### Materiality

The growing focus on the concept of materiality is a significant trend driving the evolution of corporate sustainability reporting. Materiality describes the process by which companies determine the issues which are most significant in terms of their business impact and the degree of stakeholder interest.

The concept of materiality has been used by leading global companies and is having a profound impact on corporate sustainability reporting strategy. The GRI now includes the concept of materiality in its G3 Guidelines as one of the core principles for determining report content.

We assessed the use of the materiality concept by our group of leading reporters through our *report profile* criterion and found practices to be mixed. For companies to score a "3", the process for determining materiality and topic prioritization must be identified. Tellingly, no company scored a "3" on this criterion. While some companies show evidence that a process has been used to determine what to report, full descriptions of materiality processes are absent from all of the reports, and a number of the reports suffered from a lack of clarity on which issues are a corporate focus.

**Materiality:** *The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.*

Source: Global Reporting Initiative [www.globalreporting.org/ReportingFramework/G3Online/DefiningReportContent/](http://www.globalreporting.org/ReportingFramework/G3Online/DefiningReportContent/)



Nevertheless, some companies are taking steps towards better use of the materiality concept. **Suncor** identifies its four key challenges upfront, and comments on the use of a stakeholder review panel to provide input on these issues. **Suncor** also presents a case study on each of these issues, providing context and indicating how the company is responding. **Vancity's** assurance provider looked at materiality, and the assurance statement in the report explicitly states that "based on our work, we believe that issues material to Vancity's stakeholders have been considered and communicated in this report." Some companies explain why specific issues are not material to their business. For example, **Vancity** explains that biodiversity is not material to its business since the company has no holdings in biodiversity rich areas.

## Implications of Materiality

### Strategy

- > Clarity on the issues driving long term business value
- > Robust rationale for focusing sustainability activities
- > Integration of sustainability into risk management and other business processes
- > Assurance that programs are in place to manage critical issues

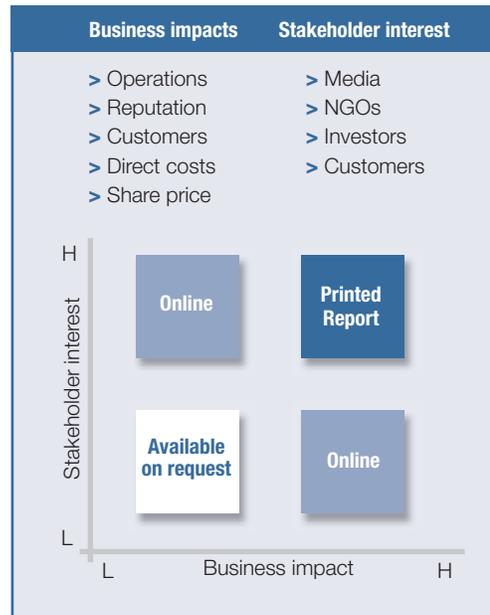
### Reporting

- > Robust basis for identification of issues
- > Shorter more focused reports
- > Greater assurance that key issues are covered
- > Stronger integration between sustainability and annual reporting
- > Rationale for use and selection of reporting standards and indicators



Stratos recommends that companies use a robust, auditable process to determine the materiality of issues. We recommend identifying issues based on business priorities, peer activities, regulation, media attention and global and sectoral standards. Stakeholder interest and business impacts associated with each of these issues can be assessed and quantified and a matrix used to identify issue priorities. The results provide critical business intelligence, allowing the assessment of strategic priorities and providing a basis for focusing resources and reporting.

As we look ahead, we expect to see materiality more strongly influence Canadian corporate sustainability reporting. Reports will start to be shorter and more clearly focused on business priorities and the needs of certain stakeholder groups, and there will be greater clarity on the processes used to determine report content.



### Key findings: alignment to the AA1000

We have assessed the quality and scope of information in the Report, the evidence that supports it, and the underlying management systems used to monitor performance against the following criteria of the AA1000 Assurance Standard.

#### Materiality

In developing materiality criteria we considered issues and concerns identified through internal regulations, stakeholder consultations, peer reviews and current and emerging societal norms. Based on our work, we believe that issues material to Vancity's stakeholders have been considered and communicated in the Report.

#### Completeness

All companies in the Vancity Group have been included in this Report. While the Report focuses on social, environmental and economic impacts over which the Group has operational control, it has also made an effort to understand its upstream and downstream impacts and these are captured in this Report.

Source: **Vancity** 2004-05 Accountability Report, p. 11.

### frankness, clarity, insight.

These are the elements stakeholders told us they wanted to see in our biennial report on sustainability. As a result, we decided to provide both the "big picture" and the "fine print" on how Suncor pursues our vision of responsible energy development.

As well as documenting Suncor's progress on a wide range of sustainability objectives, this report takes "a closer look" at our four key challenges – **community sustainability, climate change, water management and labour shortages**. Our intention is to better inform stakeholders on Suncor's response to the biggest issues.



#### more on this report

The 2007 Report on Sustainability outlines Suncor's performance in 2005 and 2006 and provides a five-year performance trend where possible.

Suncor compiled this report using the Global Reporting Initiative (GRI) G3 Guidelines. As in previous years, an independent third party verified a number of performance indicators to confirm the integrity and reliability of our data.

Stakeholder feedback continues to shape our reporting. This year, Suncor enlisted the guidance of Ceres – a network of investors, labour, environmentalists and other public interest groups – to help ensure our report is relevant and meaningful to our stakeholders. This diverse group of 14 stakeholders reviewed a draft of our report and provided input on Suncor's four key sustainability issues. These were then reviewed and verified by Suncor's internal Sustainability Steering Committee – a cross-functional group of senior managers with accountability for sustainability issues.

Our thanks to our stakeholders; their comments and insights have helped guide Suncor's sustainability reporting.

Source: **Suncor** 2007 Report on Sustainability, p. 1.

## Canadian Corporate Sustainability Reporting

# Emerging Issues and Best Practices in Report Strategy and Content

### Global Reporting Initiative

The 2006 release of the G3 revision of the GRI's Sustainability Reporting Guidelines has brought the use of standards back to the top of mind for corporate reporters. The results of our study suggest that the use of the GRI Guidelines is reaching critical mass in Canada with 45% of reporting companies making some use of the Guidelines. Of this 45%, 14% are using the new G3 Guidelines with one company reporting to an "A" level and two companies reporting to an "A+" level, including **Suncor**.

**Suncor**, the only company in our detailed report assessment that achieved an A+ application level of the new G3 Guidelines, was also the highest scorer in our assessment. As an "A+" GRI reporter, **Suncor's** report provides full profile disclosures as defined by the Guidelines, discusses the management approach for each indicator category, responds to each core G3 indicator with due regard to the materiality principle, and has been externally assured. Aspects of the GRI Guidelines that are not reflected in the main body of **Suncor's** report are provided in a table at the end of the report.

**BC Hydro**, reporting in accordance with the GRI 2002 Guidelines, offers a useful online comparative index that shows the degree of alignment between **BC Hydro's** performance measures and those in the GRI 2002 Guidelines, and provides links to detailed tables or graphs containing the relevant performance information. Similarly, the GRI index in **TransAlta's** report is "hyperlinked" and allows the reader to quickly navigate to the information supporting each GRI component in the sustainability report, annual report, or on the web.

**Six of the seven leading reporters we assessed use the GRI in some way, though most are still using the GRI 2002 Guidelines. Key features of the new G3 Guidelines include:**

- > Reporting Principles [including materiality] which assist companies in determining report content, and achieving report quality.
- > New strategy and analysis disclosure guides encourage reporters to describe their overall approach to sustainability management.
- > The Disclosure on Management Approach (DMA) provides reporters with an approach to outlining the context within which their performance should be interpreted<sup>4</sup>.

GRI 2002 Guidelines		GRI G3 Guidelines	
Reference	In Accordance	B	A+
TELUS	BC Hydro	Enbridge	Suncor
	TransAlta		
	Vancity		

<sup>4</sup> <http://www.globalreporting.org/AboutGRI/FAQs/FAQG3.htm>



When considering whether to use the GRI, the decision needs to be made based on business strategy, in much the same way that a company would assess the case for implementation of ISO 14001 or AA 1000. **Key questions to consider include:**

Questions	Considerations
<b>What investments do we need to make?</b>	<ul style="list-style-type: none"> <li>&gt; Cost of implementing new/revising existing performance measurement systems</li> <li>&gt; Cost of staff time to reshape reporting to GRI format and align performance management systems (including training costs)</li> </ul>
<b>What needs do we have internally for reporting guidance?</b>	<ul style="list-style-type: none"> <li>&gt; Support in development of internal reporting frameworks</li> <li>&gt; Ease of comparison of performance with sector peers</li> <li>&gt; Assurance that sustainability program is built on established standards</li> </ul>
<b>Do our stakeholders need to see us using a credible standard?</b>	<ul style="list-style-type: none"> <li>&gt; Investor needs for comparability of information</li> <li>&gt; NGO needs for adherence to a multi-stakeholder standard</li> <li>&gt; Customer needs for adherence to internationally recognized standard</li> </ul>
<b>How will use of this standard position us in the market?</b>	<ul style="list-style-type: none"> <li>&gt; Will use of GRI differentiate us from our peers?</li> <li>&gt; Is use of the GRI a prerequisite for leadership reporting?</li> <li>&gt; What scope is there within GRI to test new reporting approaches and innovate?</li> </ul>

As more companies take on GRI reporting and move to the G3 Guidelines, the influence on reporting could be profound, with comparability and clarity on material issues being placed at the heart of reporting approaches. Despite renewed optimism in the potential of standards to improve the quality of reporting, the application of the GRI Guidelines must be viewed as a component of a reporting strategy rather than the ultimate goal of reporting.

## Canadian Corporate Sustainability Reporting

# Emerging Issues and Best Practices in Report Strategy and Content

## Report Content

### Climate Change

Climate change is currently THE hot topic in the corporate sustainability field. The public policy environment around climate change is dynamic and stakeholder interest in corporate management of carbon emissions and climate impacts is growing. Against this backdrop, pressure to improve corporate disclosure of climate change strategy is continuing to rise. Indeed there is a compelling argument that the high profile and importance of climate change makes it a material issue for all companies, whatever their sector. This view is supported by initiatives such as the Carbon Disclosure Project (CDP). Of the four study companies invited to participate in the CDP, all of them responded (**Enbridge**, **Suncor**, **TELUS** and **TransAlta**).

Credible corporate management of climate change requires a robust and coherent strategy. Corporate climate change strategies are becoming more sophisticated with leading companies taking a holistic approach that encompasses identification of risks and opportunities, governance, setting reduction targets, and stakeholder engagement. Stratos recommends viewing climate change reporting, including the disclosure of approach and performance, as an important element of corporate climate strategy.

As corporate approaches to climate change become more sophisticated, companies are pushing their climate change strategies to address not only the company's operational impact on climate change but also the impact of the company's products, services, and supply chain. The results of this study show that practices in disclo-

sure of climate change performance are following suit – with evidence that leading Canadian companies are examining ways to provide innovative products and services as a response to climate pressures. For example, **Suncor** reports on its investments in low sulphur fuels, ethanol-blended gasoline, and wind power production. **BC Hydro** reports the success of its program to offer Green Power Certificates – green electricity that is 100% generated in B.C. and provided to domestic customers on a pilot basis. **Enbridge** reports on its commitments to invest in renewable and alternative energy sources that help reduce GHG emissions and address climate change. **Vancity** reports on climate-friendly financial products including:

- > Clean Air Auto Loans for hybrid and natural gas vehicles;
- > Home financing incentives to support energy-saving home renovations;
- > Financing for green energy alternatives such as small-scale hydro projects; and
- > Green mortgage pilot projects.

The key elements of climate change strategy that Stratos recommends to clients are mapped out on the following page. We examined reporting against each element and found evidence that corporate disclosure on climate change is growing in sophistication in line with corporate strategy.

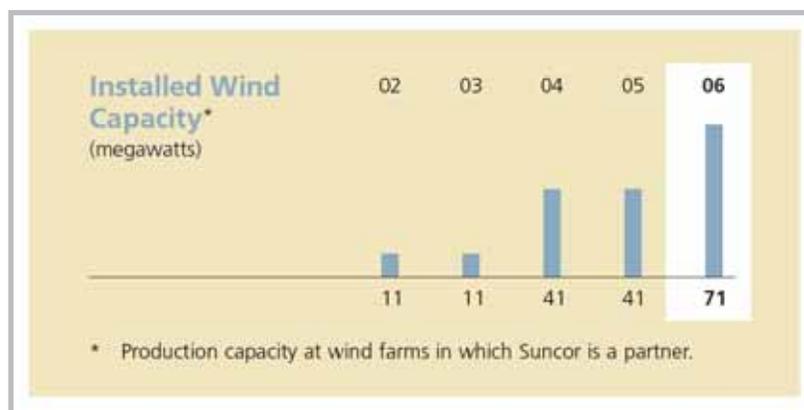
### Carbon Disclosure Project (CDP):

an independent not-for-profit organization whose goal is to facilitate a dialogue, supported by quality information, from which a rational response to climate change will emerge.

CDP provides a coordinating secretariat for institutional investors with a combined \$41 trillion of assets under management. On their behalf it seeks information on the business risks and opportunities presented by climate change and greenhouse gas emissions data from the world's largest companies

The CDP publishes responses from a questionnaire sent to 2,400 of the world's largest companies. The largest 200 Canadian companies are invited to respond.

Source: The Carbon Disclosure Project  
[www.cdproject.net/whatiscdp.asp](http://www.cdproject.net/whatiscdp.asp)



Source: **Suncor** 2007 Report on Sustainability, p. 6.

Elements of climate change strategy	Best practices in corporate disclosure
Identification of climate risks and opportunities	<ul style="list-style-type: none"> <li>&gt; <b>Vancity</b>'s 2006-07 action plan includes a commitment to assess the climate change risks associated with its core business.</li> <li>&gt; <b>Suncor</b> identifies climate change as a risk and is candid in discussing how the growth in its oil sands business is a major contributor to GHG emissions. The company also discusses the potential business impacts of future GHG regulations.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>&gt; <b>Enbridge</b> and <b>Suncor</b> describe the key roles and responsibilities for GHG management, including specific oversight responsibilities for the Board.</li> <li>&gt; <b>Vancity</b> identifies the senior VPs responsible for all of the company's targets, including those related to climate change.</li> </ul>
Policies and management systems	<ul style="list-style-type: none"> <li>&gt; <b>Enbridge</b> reports on its specific Climate Change Policy.</li> </ul>
Business planning	<ul style="list-style-type: none"> <li>&gt; <b>Suncor</b> reports on its decrease in GHG emission intensity through initiatives including renewable energy, energy efficiency and carbon capture and storage.</li> <li>&gt; <b>Vancity</b> discusses its financing of green energy products such as Uprit Power Corporation's China Creek power project.</li> </ul>
Employee engagement and corporate culture	<ul style="list-style-type: none"> <li>&gt; <b>Vancity</b> reports on campaigns and programs to encourage staff to be more energy efficient at work, as well as to use alternative modes of transportation.</li> </ul>
Research and development	<ul style="list-style-type: none"> <li>&gt; <b>Suncor</b> discloses that investment in research into alternative technologies is at the heart of their strategy for responsible growth.</li> </ul>
Performance targets and measures	<ul style="list-style-type: none"> <li>&gt; <b>BC Hydro, Enbridge, Suncor, TELUS</b> and <b>Vancity</b> report direct and indirect GHG emissions.</li> <li>&gt; <b>BC Hydro, Enbridge, Suncor</b> and <b>Vancity</b> provide a source breakdown of GHG emissions.</li> <li>&gt; <b>Suncor</b> reports forecasted emissions out to 2011.</li> <li>&gt; <b>Enbridge</b> and <b>TELUS</b> report GHG emission reduction targets.</li> <li>&gt; <b>Vancity</b> reports a carbon neutral goal and indicates concrete steps that the company is taking to achieve this objective.</li> </ul>
Stakeholder engagement	<ul style="list-style-type: none"> <li>&gt; <b>Suncor</b> presents its public policy position on climate change which guides its engagement activity in this area.</li> </ul>
Assurance	<ul style="list-style-type: none"> <li>&gt; <b>Suncor, TELUS,</b> and <b>Vancity</b> have their GHG data verified by a third-party.</li> <li>&gt; <b>Enbridge</b> reports plans to undertake an independent third-party audit of its Canadian GHG emissions data management system.</li> </ul>
Disclosure	<ul style="list-style-type: none"> <li>&gt; <b>Suncor</b> produces an annual Climate Change Report that highlights the company's GHG performance. The report candidly discusses 10 key climate change challenges related to its business and the actions the company is taking to address climate change in the coming decade.</li> </ul>

## Canadian Corporate Sustainability Reporting

# Emerging Issues and Best Practices in Report Strategy and Content

### Aboriginal Relations

Relations between companies and Aboriginal Peoples is a key business and social issue in Canada, particularly, but not exclusively, for the resource sectors. There are increasing pressures on companies and Aboriginal communities to find improved ways to engage constructively for mutual benefit. Corporate sustainability reporting is a component of Aboriginal relations strategies, allowing companies to demonstrate the progress they are making and providing a vehicle for engagement with Aboriginal groups.

Fifty-one percent of Canadian sustainability reporters discuss their approach to Aboriginal relations. Among the seven leading reports in the study, scores on Aboriginal relations were mixed, with **BC Hydro** and **Syncrude** emerging as clear leaders. In addition to providing a wealth of information on Aboriginal relations in its *Sustainability Report*, **Syncrude** also prepares an annual *Aboriginal Review* to communicate further its Aboriginal relations activities.

Corporate reporting on Aboriginal relations should address three areas:

- > **Aboriginal engagement and relationships:** The approach to building and maintaining relationships with Aboriginal communities. This might include policies, engagement and response processes, formal consultation practices and the management systems to ensure consistent implementation.
- > **Economic impact:** The approach to managing and enhancing corporate economic benefits for Aboriginal communities. This might include products and services for Aboriginal communities, employment opportunities, procurement from Aboriginal-owned businesses, and provision of education and training initiatives.
- > **Aboriginal rights:** The approach to recognition and protection of the rights of Aboriginal communities.

We look below at reporting among our seven leaders against these three areas.

### Aboriginal Engagement and Relationships

- > One of **BC Hydro's** long-term goals is related to improving relationships with First Nations that are "built on mutual respect and that appropriately reflect the interests of First Nations." **BC Hydro** also commits to address past grievances of Aboriginal communities.
- > **Enbridge** reports on its Indigenous Peoples Policy and identifies a number of signed agreements with Aboriginal communities on the Gateway Project to ensure economic and skills development.
- > **Syncrude** reports on its Aboriginal Relations Program and its six key commitment areas, and provides examples of its engagement with Aboriginal communities.
- > **TransAlta** identifies its Executive Vice President with responsibility for Aboriginal Relations and has established a transmission advisory committee to:
  - Develop best practices for transmission systems located on Aboriginal lands;
  - Foster employment opportunities; and
  - Increase dialogue.

> **Vancity** has an Aboriginal engagement strategy.

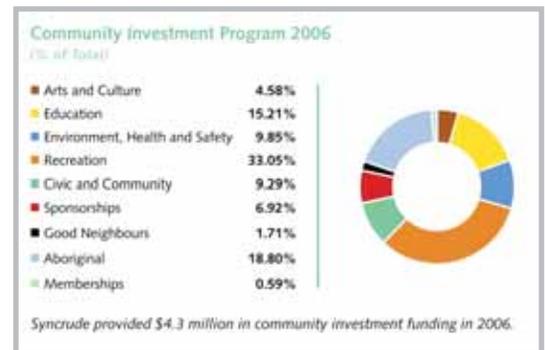
> Many companies provide examples of their Aboriginal engagement efforts, including **BC Hydro**, **Enbridge**, **Suncor**, **Syncrude**, **TELUS**, and **TransAlta**.

### Economic Impact of Aboriginal Relations Strategies

- > **BC Hydro**, **Suncor**, **Syncrude**, **TELUS**, and **Vancity** provide data on Aboriginal employment. **Syncrude** and **Suncor** also provide data on Aboriginal procurement, and **BC Hydro** and **Syncrude** provide data on Aboriginal community investment.
- > **BC Hydro** reports on its Aboriginal Procurement and Contracting Policy, and a 10-year Aboriginal Education and Employment initiative.
- > **TELUS** discusses its Connecting Communities Agreement that delivers high-speed Internet infrastructure to rural areas in B.C., including a number of Aboriginal communities, as well as its efforts to bring telephone service infrastructure to isolated Aboriginal communities in B.C.

### Aboriginal Rights

> **BC Hydro** provides data on First Nation negotiation, litigation and settlement costs.



Source: **Syncrude** 2006 Sustainability Report, p. 39.

# Canadian Corporate Sustainability Reporting

## Conclusion

This study tracks two parallel trajectories in sustainability reporting in Canada. Innovation and best practice is pushing ahead on a number of fronts at the seven companies in our assessment. For these companies, corporate sustainability reporting is a core component of long-term value creation which provides a competitive edge. At the same time, sustainability reporting is going through a period of change. While the rate of growth in Canadian sustainability reporting is slowing, there are signs that reporting companies are catching their breath while systems, tools and reporting frameworks are developed and implemented. Approaches to materiality, assurance and the use of the GRI G3 Guidelines are being tested and are finding traction as companies examine their strategy and plan to step up their reporting.

Our findings are an early indicator of renewed activity in reporting. We expect the next two years to see further evolution and improvement in the quality of sustainability reporting in Canada. As companies are looking to navigate the coming changes, we identify key issues that reporting practitioners need to consider:

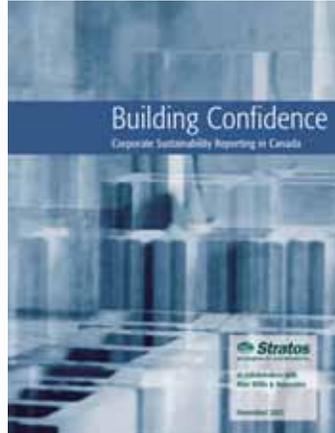
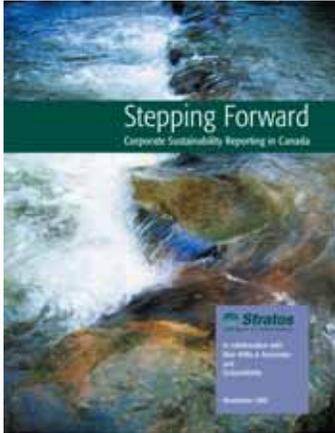
> **Get ready for materiality:** Materiality is going to have a profound impact on reporting approaches as key stakeholders demand greater clarity on key sustainability issues and focused reporting on performance on these areas. Build a robust process and trim down reporting to the issues that matter.

> **Get serious about climate change:** Climate change will continue to be the big ticket issue in the corporate sustainability world. Consumers, customers, investors, regulators and non-governmental organizations are all scrutinizing corporate activity. Gear up the sophistication of your strategy and look to find competitive advantage in your response.

> **Assess the business case for the use of the G3 Guidelines:** Uptake of the G3 Guidelines is increasing. Assess the business needs for reporting to G3 standards and be realistic about the costs. Don't just follow the pack - build an approach based on sound business principles.

> **Know your performance on Aboriginal relations:** Reporting on policies, programs and practices for Aboriginal relations is becoming standard in Canadian sustainability reporting, and demonstrating genuine progress is vital to maintaining trust with stakeholders. Track engagement activity, community investment programs, and Aboriginal recruitment and business development and know how your operations, products and services are viewed by Aboriginal communities.

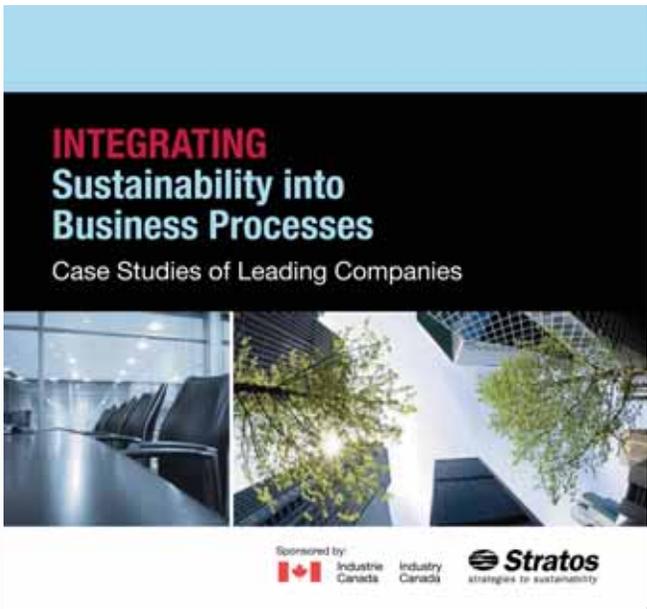
**A final thought:** As sustainability reporting gets more strategic and sustainability issues are increasingly addressed in financial reporting, we expect the level of scrutiny to increase. Stakeholders are going to demand confidence that the numbers, procedures and practices reported are an accurate reflection of business performance and activity. Do you have the mechanisms in place to give them that **assurance**?



**Stratos** has conducted three previous in-depth assessments of corporate sustainability reporting in Canada. These reports are available online at [www.stratos-sts.com](http://www.stratos-sts.com).

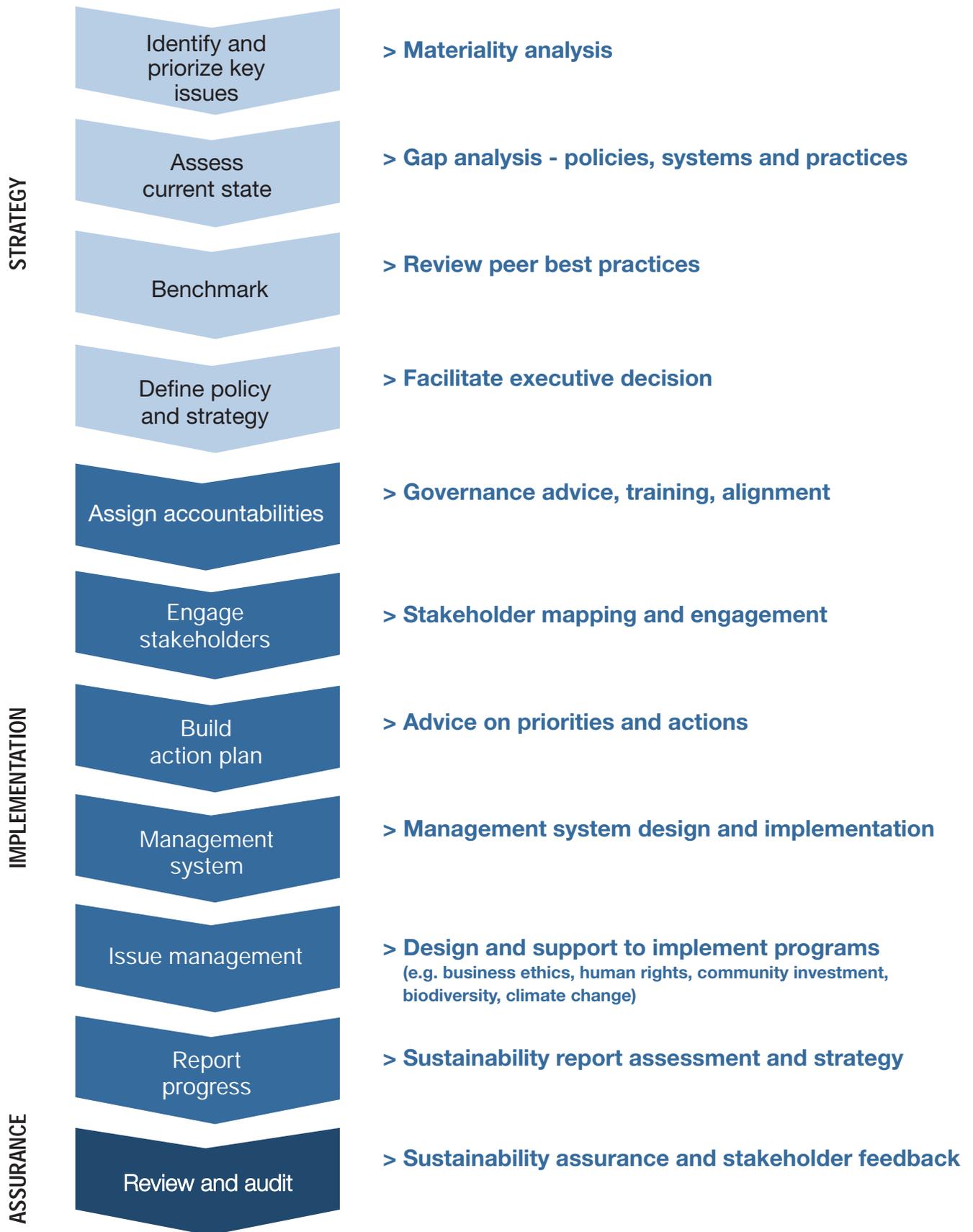


**Stratos** has developed a sustainability reporting toolkit with the Government of Canada. The goal of the toolkit is to provide assistance to business to assess the need to report and create an effective report. The toolkit is available at [www.sustainabilityreporting.ca](http://www.sustainabilityreporting.ca).



**Stratos**, with the support of Industry Canada, conducted a study with seven Canadian and international companies who are seeing the value in integrating sustainability into their business processes. The study, and the individual company case studies, provide best practice examples for other companies to adopt or adapt. See [www.stratos-sts.com](http://www.stratos-sts.com) to access the full study and individual case studies.

# Stratos services to support your sustainability strategy and management



## Furthering the Debate

*We encourage discussion and debate on the views expressed in this study.  
To share your comments and perspectives, please contact*

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