

# EMBASSY REPORT

## CORPORATE SOCIAL RESPONSIBILITY



PHOTO ILLUSTRATION BY JAMIE CRESKEY, SENTIENT DIGITAL

In some corporate boardrooms there's still a debate going on that since corporate social responsibility (CSR) can't be precisely measured on the bottom line, it's nothing to worry about. Famous last words. Getting beyond the CSR jargon, this *Embassy Report* finds a Canadian company whose Latin American facility was burnt down by the local community. In Parliament, Liberal MP Bernard Patry says that companies don't enjoy being called in front of his committee but that there aren't a lot of sticks and carrots for the government to use to encourage Canadian companies to follow Canadian rules and stan-

dards—unless companies require government support or funding. But what happens today on a remote mountainside in a developing country quickly becomes a story that often plays above the fold in the financial pages. Corporations that have learned this important lesson are finding support from experts like Queen's University Business School professor Jay Handelman, who knows that companies that embed their goals, their business plan and their activities in their local communities reap the benefits. Corporate-community relations don't have to wind up in a confrontational train wreck.

Pages 11-15

## REPORT: CORPORATE RESPONSIBILITY

# Activism Against Corporations is Becoming Harder to Ignore

Continued from Page 1

Milton Friedman may still be alive, but at least one of his maxims—"the only social responsibility of business is to maximize profits"—isn't aging as well. Corporate social responsibility, once the trendiest of boardroom buzzwords, is slowly becoming an established business practice, and a cure for the jangled nerves within Canada's international business community. And as more Canadian businesses become dependent on the resources in developing countries to drive their bottom lines, critics say it's time to entrench the idea of the well-behaved corporation.

"The cool factor is wearing off," says Jay Handelman, director of the Center for Corporate Social Responsibility at Queen's University. "Now we have to ask is this really making a difference."

A handful of recent polls certainly seem to indicate that how a company goes about its business really does matter to Canadians. A

GlobeScan survey conducted last year suggested 92 per cent were more likely to buy products from companies they felt were socially and environmentally responsible. Likewise, an Ipsos Reid poll found that seven out of 10 Canadians pay attention to corporate social responsibility issues.

But despite the attention such issues have generated within Canada, companies operating outside the country's borders don't always lend the matter the same importance.

Last year, a parliamentary subcommittee looking into sustainable development expressed concern that several Canadian mining companies operating abroad were failing to adhere to international human rights standards. According to the report submitted to the Standing Committee on Foreign Affairs and International Trade, certain businesses were all too willing to take advantage of porous labour and environmental laws in an effort to boost profit margins.

But Mr. Handelman insists that cutting

labour costs at the sake of goodwill is a recipe for disaster. The local population is an indispensable tool for a company trying to navigate through foreign customs and geography, he says. "It can be the difference between success or failure for a company."

The management theory embodied by Mr. Friedman's maxim encourages executives to keep operating costs at a bare minimum. In this model, assets are tangible and guarded zealously from those outside the boardroom. The social responsibility school of thinking, on the other hand, asks companies to seek value in intangibles.

"We need to protect and build on the reputation of Canadian companies as a form of competitive advantage," says Andrew Frank, spokesman for Canadian Business for Social Responsibility (CBSR). "The fact is that we all live in the same world. One where human rights and environmental regulations should be the same for everyone."

CBSR joined a group of prominent

Canadians and legal experts late last year lobbying the federal government to pass legislation that would hold the country's corporations more accountable for their actions outside Canada.

The letter was signed by the likes of David Suzuki and former Liberal cabinet minister Gar Knutson, among others, before being sent to then-prime minister Paul Martin. Mr. Frank is hopeful that the new government will be more willing to keep close tabs on what corporations do abroad.

"More and more companies are looking for regulatory certainty around CSR issues like human rights and climate change," he says by phone from Vancouver. "There are companies who are investing in CSR who would like to see those investments standardized across the board."

Corporations currently have a host of international standards that they can choose to abide by. Two of the most popular are the United Nations Global Compact and the Organization for Economic Co-operation and Development's Guidelines for Multinational Enterprises, both of which are supported by the Canadian government. But while each is a high-profile initiative, neither has policing mechanisms.

Mr. Handelman, who nevertheless remains skeptical about the benefits of legislation, admits that many companies seek to cash in on the clean-image craze while failing to respect the spirit behind such voluntary guidelines. "CSR is not just a cheque a company sends to some cause and then wishes good luck to it," he says.

Corporations can engage local populations by giving them important positions within the company and consulting them in the early stages of any major project, he says. Though this can be an unnerving and time-consuming process, Mr. Handelman delivers a stern warning to those contemplating a half-hearted embrace of the social responsibility ethos.

"You cannot fake authenticity," he says from his office in Kingston, Ont. "There wouldn't be much worse for a company [than] to be exposed as inauthentic."

Whether or not the federal government decides to clamp down on Canada's miscreant corporations through legislation, pressure is mounting from elsewhere for companies to seek the moral high ground.

Alcan and Bombardier, two venerable corporations with controversial projects in the developing world, have both had their annual shareholder meetings disrupted by activists accusing company officials of irresponsible business practices. The stunts may not provoke much more than a spate of bad publicity, but shareholder activism is now harder to dismiss outright than it once was. Socially responsible investment funds (SRIs), for example, now count assets of more than \$31 billion in Canada alone.

As for Ascendant, the company says since January it has been spending around \$70,000 per month in northern Ecuador trying to set up a social network that will allow its mining venture to thrive. "We're still hoping the strife goes away," says Lee Chapman, the Vancouver-based company's chief financial officer.

Mr. Chapman accuses the local environmental group of stirring up opposition to its project, convincing locals to distrust Ascendant's motives. To counter the group's opposition, which he says is "completely out of control," the company operates a traveling medical clinic and whenever possible hires locals, even if it's only on a part-time basis. "It's their country, it's their minerals," he says. "They deserve to be successful if at the end of the day we manage to do something with the mine."

But he knows the company, which has also come under attack from Canadian-based NGOs for allegedly shady business dealings, has to first overcome an image problem. "We're not industrial bad guys, but it's up to us to bridge the gap."

editor@embassymag.ca



## AN OPEN LETTER TO: The Auditor General of Canada and the Commissioner of the Environment and Sustainable Development

DEAR MESDAMES FRASER AND GÉLINAS:

**Re: Seeking Canada's positions and response to alleged corrupt activities by Ascendant Copper Corporation in undermining the democratic, legal right of communities in Ecuador to protect and preserve their natural environment.**

Friends of the Earth Canada calls on your good offices and its provision for citizen petition under Section 21.1 of the Auditor General Act on a matter of urgency that challenges the principles of democracy, accountability and justice that Canadians embrace.

Less than two weeks ago, at the General Assembly of the Organization of American States, Canada's Minister of Foreign Affairs stated that Canada is positioned to "play a leading role in the promotion of democracy, human rights, the rule of law, indigenous issues, civil society participation, corporate social responsibility and gender equality" (MacKay speech at GA of OAS, June 2, 2006, No.60)

At the same time, we have documented and made available via film the statement of a Canadian mining company president on the financing support to an anti-democratic organization engaged by Ascendant Copper Corporation to undermine the due process of development within Ecuador. We offer the film, the Curse of Copper, in testimony to the turmoil and unrest wrought by such anti-democratic measures. (see [www.AscendantAlert.com](http://www.AscendantAlert.com))

In our petition, we call for official responses by Ministers of the Crown to detail Canada's provision of financial, diplomatic and policy support for the activity of mining entities incorporated in Canada while conducting business abroad, as compared to enforcement of corresponding laws and accountability on various codes of practice that Canada has adopted, to ensure that operations "flying under the Canadian flag" adhere to the values of democracy, accountability and justice. To be clear, we are seeking statements of Canada's policy, legal positions and operational details of how they are and have been applied to Ascendant Copper Corporation in relation to its proposed Junin copper mine, featured in the film. Inconsistencies between the stated policy or law and its enforcement should also be explained.

Further, in considering other important Canadian action on corruption, as in the case of sexual tourism crimes where a Canadian can be prosecuted at home for odious, criminal activities abroad, Friends of the Earth seeks a declaration by Canada's Minister of Justice on whether the department does or will prosecute Canadian corporations that commit crimes of corruption abroad in a manner consistent with Canada's prosecution of sexual tourism crimes outlined in Section 7(4.1) of the Canadian Criminal Code.

Given the growing state of unrest in Junin provoked by the activities of Ascendant Copper Corporation, Friends of the Earth and its supporters request the response of Ministers in the most urgent and time sensitive manner possible.

Sincerely yours,

Beatrice Olivastri, Chief Executive Officer, Friends of the Earth  
613 241 0085 extension 26, cellular: 613 724 8690



300-260 St. Patrick Street Ottawa, Ontario K1N 5K5 Canada Tel: (613) 241-0085 Fax: (613)241-7998

E-mail: [foe@foecanada.org](mailto:foe@foecanada.org) Home Page: <http://www.foecanada.org>

100% Post-Consumer Recycled Paper

## REPORT: CORPORATE RESPONSIBILITY

# Canadian Oil, Gas and Mining Operations Overseas Put Under the Microscope

■ The first of several roundtables and examinations of the behavior of Canada's extractive industries in foreign countries begins this week. To regulate or not regulate, that is the question.

By Sarah McGregor

Intense public scrutiny begins today on the overseas operations of Canadian oil, gas and mining firms that are earning windfall profits, but drawing international criticism of doing far more harm than good for local communities in poor nations.

The department of Foreign Affairs is leading the first in a series of four national roundtables on Corporate Social Responsibility and the Canadian Extractive Sector in Developing Countries.

Vancouver is the site of the inaugural two-day session, June 14-15, that includes morning and evening town hall forums as well as a closed-door session involving First Nations and experts from civil society, corporations and government in the afternoon. Toronto in September, Calgary in October and Montreal in November will be the host cities for subsequent sessions focused on standards and best practices, tools and incentives to promote responsible corporate citizenship, and the type of assistance the Canadian government should use to connect extractive companies with foreign governments.

Chief subject matters under discussion are strengthened federal and provincial regulations over Canadian extractive outfits operating abroad—with disagreement over whether the rules should remain voluntary or become mandatory—and an expanded role and greater resources for an ombudsman to investigate complaints.

Social activists say there has never before

been an official cross-Canada forum for the government to hear peoples' perspective on extractive industry rules and enforcement to protect the world's precious natural resources. "The issue has never been on the political map," says Karyn Keenan, program officer of the Halifax Initiative, a pan-Canadian consortium of non-governmental groups. Outcry from religious groups and environmental, labour and other social actors has reached a "critical mass" that can no longer be ignored," she says of the timing.

About 600 Canadian energy and mineral exploration companies are rapidly expanding globally, investing in 3,500 projects in 100 countries, according to the Prospectors and Developers Association of Canada. In 2005, the top 40 mining companies more than doubled their aggregate net profits from the previous year, to \$45 billion from \$28 billion, says PricewaterhouseCoopers. Canada is among leading nations in the mining industry.

"There are a large number of Canadian com-

panies out there and are invariably doing a good job," says Tony Andrews, Executive Director of the industry association, PDAC. "They are sensitive to local situations which can be very complex."

The public talks aren't starting on an entirely positive note. Civil society says the government already seems to have made up its mind that legal reforms are almost impossible to achieve. A government-drafted discussion paper that will form the basis of the discussion, was circulated to stakeholders for input. Ms. Keenan says the paper—which had contributions from eight government departments including Industry Canada and the Justice Department—says there are severe restrictions on imposing made-in-Canada rules on companies registered here but operating on foreign land.

"It's almost defeatist," says Ms. Keenan. "The tone of the document is more, 'these are the things we can't do.' That's frustrating because

Continued on Page 15

## Getting Corporations to Respect Human Rights

■ A Rights and Democracy plan encourages corporations to be socially responsible, but is still a long way from being adopted.

By Lee Berthiaume

In the remote jungles of Mindanao, a Filipino island where rebel groups and Islamic militants prowl and the Foreign Affairs department warns Canadians not to tread, a Calgary-based mining company has been busy extracting gold and silver from the land for several years.

In spite of the region's instability, the project has proven to be a worthwhile risk for TVI Pacific, which is working to expand its extraction operations.

But, the publicly traded company's activities in Mindanao over the years haven't come without their share of controversy. TVI Pacific has been accused of committing or being complicit in human rights violations, including its use of local military personnel for security, and grabbing land that local indigenous people say they have inhabited and farmed for centuries.

While TVI Pacific has vehemently denied the accusations, the dispute took a new turn late last year when the firm agreed to conduct a human rights impact assessment as part of a pilot project initiated by Rights and Democracy, an arm's-length organization created and funded by the Canadian government.

Companies that want to start up new projects, even in many developing countries, are often subject to government studies or must conduct their own to determine how the projects will impact the local environment and the social and economic well being of local communities.

But Diana Bronson, Rights and Democracy's globalization and human rights coordinator, says human rights have often been overlooked. "It is seen as a big gap," she says. "Part of it's a mindset. [The companies] say it's not their business."

The human rights impact assessment devised by Rights and Democracy consists of interviews and a 75-page questionnaire. It aims to supplant social impact assessments by determining how a company can mitigate negative impacts on local communities, but also how it can maximize potential benefits.

It will also tie the cases to international treaties and agreements that the host country has signed to provide a legal basis for residents

and the host country to take action if a company commits human rights violations.

"It's an attempt to give the community a leg up to talk to companies on the same level," Ms. Bronson says.

In September, Rights and Democracy began work on five case studies involving five companies working on controversial projects in different developing countries. Two projects involving Canadian companies, TVI Pacific and Nortel Networks, were selected.

### Not all are on board

With the exception of Nortel, all of the companies selected agreed to participate in the study, though most were hesitant.

Nortel is involved in the development of a railroad in Tibet that human rights groups are worried will facilitate Chinese military movement within the area. The Canadian company is providing information communications technology for the project.

Nortel officials would not comment on their decision not to participate, but issued a statement on June 2 in response to requests for an interview.

"Nortel categorically rejects in the strongest possible terms that we are collaborating with any government to repress the human rights or democratic rights of its citizens," the statement reads. "We work with both private and public sector customers, and believe that our solutions promote the transfer of knowledge and improve communication globally."

Over the years, the international community has worked hard to define the rights every person is entitled to, but "our failure is to make these rights operational," Ms. Bronson says.

"When we think of human rights violations we think of torture, dictatorships and crimes against humanity. But there are other guarantees that are often overlooked, like the right to water and health."

While many companies are starting to realize that negative reports and attention can affect their bottom line, Ms. Bronson acknowledges there are many challenges that will still have to be overcome before companies take active steps to account for human rights.

Not only can it be expensive to build schools and hospitals to provide the rights to education and health, but also deciding not to operate in contentious areas could reduce profits.

In addition, local governments are often too weak or unwilling to enforce the international



PHOTOGRAPH COURTESY OF RIGHTS AND DEMOCRACY

Diana Bronson, Rights and Democracy's globalization and human rights coordinator.

human rights agreements they have signed on to, if they have elected to do so in the first place, which gives many companies free reign.

### Lack of education

Also, many of these projects are in remote areas, meaning local residents are often uneducated and have few ways of drawing attention to the violations. Even when word gets out, governments in some countries where the companies are registered—like Canada—are reluctant, unwilling or unable to take steps against the companies.

Liberal MP Bernard Patry, vice-chairman of the Standing Committee on Foreign Affairs and International Development, says the government does insist that Canadian companies operating abroad follow Canadian rules and standards.

"We have some powers," he says of the government's ability to enforce those standards. Some companies require government support or funding, which may be withheld. "And when companies are called to appear in front of the committee, they don't like that," he says. But when a company doesn't require government assistance, he acknowledges, "sometimes there is nothing that can be done."

John Ridsdel, TVI Pacific corporate advisor and acting country manager for the Filipino project, says the company's decision to take part in the Rights and Democracy study is only an effort to clear up the misconceptions about its operations. "We're kind of putting our money where our mouth is," he says.

Any controversy involving allegations of human rights violations, whether founded or not, costs a company, Mr. Ridsdel says. "It burns up a lot of time, money and expenses," he

says. "Companies today operate in a fishbowl."

By agreeing to participate in the study, Mr. Ridsdel says, TVI Pacific is hoping to learn better ways to protect the rights of people affected by the development and to eliminate potential problems. For example, the company has worked to train its military security guards about human rights.

"What I'm most interested in is what we have learned for the purpose of moving forward," he says. "There are a variety of lessons we have learned from the study. We plan to apply them to our next project."

### Tensions rising

But even TVI Pacific's human rights impact assessment has created tension. Mr. Ridsdel says the local NGOs enlisted by Rights and Democracy to conduct the human rights impact assessment are categorically against the project, which means any study will be biased. Instead, the company has hired independent researchers and now two assessments are being conducted.

Catherine Coumans, research coordinator at Mining Watch Canada, says for now, getting companies to recognize and protect human rights in controversial projects will be a hard sell, but she expects human rights impact assessments to become more common as more countries begin taking the issues seriously.

"Right now they're only reacting," she says. "But in most parts of the world, the governments are sensitive to social conflict. I think companies are increasingly having to do this because information goes around the world increasingly quickly."

editor@embassymag.ca

## REPORT: CORPORATE RESPONSIBILITY

# Anti-corruption rules must be backed up with resources and commitment: Labelle

■ The Canadian chair of Transparency International, a global anti-corruption watchdog, says the battle is only half won. Strengthened rules and international conventions now need the political will to be implemented.

By Christina Leadlay

Corruption is a constantly evolving problem that must be monitored vigilantly even when rules are in place, says Huguette Labelle, Chair of Transparency International's Board of Directors and the former president of Canada's development agency, CIDA. Ms. Labelle says the fight against corruption, where individuals use corporate resources for their own personal gain, is entering the next generation.

"In the last decade we've been pushing a lot to get the right laws, the right institutions; now what we've got to do is to press for these to be properly established with the right framework and the right resources and making sure that the laws are implemented," she says.

Fighting and preventing corruption is an important part of corporate social responsibility, says Ms. Labelle, and it's something Transparency International, a global civil society organization, is committed to on a number of levels.

Embassy spoke with Ms. Labelle by phone from Montreal on June 1. The following is an edited transcript of that conversation.

## What is Transparency International's definition of Corporate Social Responsibility?

We primarily work with the definition of corruption, individuals using resources for their own personal gain against the common good. The plain definition is really the abuse of entrusted power for personal gain. It is universal in its application. We see it as a very important element of corporate social responsibility, ensuring that whatever the organization, that this is part of their living with integrity and being supportive of the people that they work with, but also of being careful about the environment.

## What are some of the main challenges in fighting corruption around the world, both in the public and private sectors?

What you find very often is what we're calling embedded systems or networks where, especially for things like customs, you can have cooperation between a particular lawyer or an accountant and employees of the customs department and a ring of moving some product that has been stolen around the world. It could be cars, it could be anything. And these are difficult to get at.

A second difficulty is that people who do corruption are very resilient. Corruption sys-

tems are very resilient. Once you think you have plugged the loopholes, suddenly, a few years later, if you're not vigilant, you find that they have found a way around the new system that has been put into place.

I think in most countries now you have constitutions that are pretty good, you have laws that are pretty well stated, you also very often have the right institutions, but that what we find is that these institutions, like auditors general and commissions against corruption and the judiciary, are not as independent from the government and from the political element as they should be, or that they are not resourced properly; you don't have the right people, the right number of people to do the job, or the people haven't been paid sometimes for months. This is a pretty strong incentive for asking for bribes.

In the last decade we've been pushing a lot to get the right laws, the right institutions; now what we've got to do is to press in the next period for these to be properly established with the right framework and the right resources and making sure that the laws are implemented.

## Are private corporations beholden to the international anti-corruption conventions? How are they monitored?

Transparency International spent a lot of energy getting those conventions into place: the UN convention, the OECD, the OAS, the African Union convention. These are very important tools to get countries to commit to do the right thing. The problem is that they absolutely need to be monitored on an ongoing basis so that these conventions do not just become pieces of paper on a shelf. We've worked very closely with the OECD in developing the current monitoring system where there are a number of countries that are monitored independently every year, and an annual report is made and published. We're close to completing a process for monitoring the UN convention.

It's always important to have both peer and other bodies [a combination of individuals from different organizations from around the world] being involved so that there is a greater sense of total independence. It doesn't happen every year for every country, but there is a rotation, but it has to happen frequently enough. Usually there is a yearly reporting, but then a periodic assessment over a matter of every few years, enough to make sure that there is an independent review, and on site.

## Is decentralizing government administration a viable way to fighting corruption and improving accountability?

Decentralization can be a mixed blessing. On one hand, it has the potential to bring the programs closer to the people who are to receive the services. If it is done properly, it involves the people of the communities in the overseeing of the programs and of the resources that are attributed.

On the other hand, if you don't ensure that the local authorities inheriting the programs are giving themselves, or are helped to give themselves, the kind of safeguards, systems, administration that will prevent corruption, decentralization can multiply corruption. Very often, locally administered programs are more informal because the people all know each other, so this is why it's important to build some formality and proper systems, training and proper discussion of the importance of integrity. Otherwise, corruption can just multiply.

It's important for budget allocation to be very transparent and accessible to the people at the receiving end, so that they know how much money has been budgeted at the



PHOTOGRAPH COURTESY OF TRANSPARENCY INTERNATIONAL

Huguette Labelle, Chair of Transparency International's Board of Directors, has been appointed by the UN Secretary-General to be on the first official board of the UN Global Compact, which will challenge private sector companies around the world to live properly vis-à-vis labour, the environment, human rights and corruption. The board will meet officially for the first time in New York on June 27-28.

national level and how much money they are receiving locally and what happens to that money locally.

The World Bank's International Integrity Department has a list of some 330 companies worldwide who are debarred from working with them. Some say this list isn't effective.

You can bet that it is very effective. Some of the companies that have been blacklisted have really had to close their doors. If you're working internationally, your reputation is very important. And if you are prevented from doing contracts in a country where money for the contracts is through loans or grants from the World Bank, this is very important.

A number of other regional banks now have their own blacklists, but they're not published. We're encouraging them to publish them. We're encouraging the export credit corporations from around the world to do a corruption risk analysis, each time reviewing the blacklists of these banks and being very cautious about subsidizing, putting a loan or a guarantee or insurance on a company that's been blacklisted.

I think that some of the comments might have been appropriate because they may not have had quite enough resources to do their work, but I think this is changing.

## Are withholding loans the answer?

Each case is different and has to be looked at in its own merit. In certain cases it might be very appropriate to withhold a loan.

On the other hand, what I think the Bank is also saying—and we concur—is that it is very important that the regional banks, the World Bank and the bilateral donors work very closely with countries to give a very strong signal that corruption is not acceptable at any level. But they support the countries so that they give themselves the kind of institutions and resources that they need to have. It's about helping countries on the prevention side, while at the same time being vigilant to make sure that corruption does not happen. So only withholding loans would not be constructive in the long run and necessarily as helpful, so you need both, and you can't only use withholding of loans.

christina@embassymag.ca



## Look

In the world of rural development, most people tend to look at what's wrong with the picture.

At CHF, we prefer to look at what's right.

The thing is, seeing what's right isn't obvious right away. You have to look longer. Deeper. In places you usually wouldn't.

Then, and only then, will you start to see it. Hidden assets and untapped potential suddenly emerge. Elaborate networks of people and skills seem to crystallize before your eyes.

This is the future of rural development. We call it Three-Dimensional Development.



## Deeper

Typically, most approaches to development start by focusing on a very specific problem, or an immediate need. Three-Dimensional Development doesn't focus on the problem.

Instead, we take an exhaustive look at the community, and identify assets, opportunities and strengths. Then, because of our unique depth of perception, we can develop solutions that are not only effective and sustainable, but truly transformational as well.

Mostly, Three-Dimensional Development means seeing what's right with the picture. For over 40 years, in over 40 countries, we've been looking for nothing but. And time after time, that picture never fails to reveal great things.

Three-Dimensional Development. By CHF.



www.chf-partners.ca

REPORT: CORPORATE RESPONSIBILITY

# Government Vague on Roundtable Expectations

Continued from Page 13

we wanted no preconceived notions. That's the purpose of the discussion—to be open."

Civil society wants the government to assemble a stronger national legal framework so there will be consequences for Canadian companies that disobey international labour standards, pollute or have an impact on basic human rights in the communities where they operate. That includes new laws to allow foreign citizens to seek redress in Canadian courts, of particular importance in developing nations whose penal systems are underdeveloped or, in some cases, corrupt. Extractive companies bearing the Canadian flag are scattered throughout poor nations in Central and South America, Africa and elsewhere.

Civil society's other major demand is the government effectively cut-off financial support, investment facilitation and diplomatic assistance to companies that are known to behave badly.

Mr. Andrews says he thinks the government discussion paper is a good starting point. "I think the discussion is set out in a realistic and balanced way, including the role of legal instruments—they try to inform and not take a position," he says.

A government steering committee, headed by Foreign Affairs Canada, is leading the series of roundtables. Academics, industry executives from Placer Dome and Talisman, NGOs such as Mining Watch, the financial service group Ethical Funds Company and the Canadian Aboriginal Minerals Association are some members of an advisory group.

An additional sore spot going into the Vancouver kickoff meeting is that no community leaders from developing countries were invited, and Foreign Affairs hasn't provided a travel and accommodation budget to do so for future sessions.

By chance, Ms. Keenan learned that Miguel Palacin of CONACAMI, Peru's national organi-

zation of mining affected communities, is in British Columbia on business this week. He has extended his stay by a couple of days and will join the roundtable to widen the range of voices beyond North American stakeholders. Ms. Keenan says it's crucial to get a first-hand perspective to highlight human rights violations, environmental degradation and the fact that very little of the huge corporate profits trickle down to ordinary people.

A study on the mining industry last year by the House of Commons Foreign Affairs and International Trade committee produced a report suggesting Canadian companies abroad should be subject to home rules—and not be allowed to take advantage of lax laws in a host country. The multi-party report also suggested more funding and power for an ombudsman to handle complaints and take action on companies that break OECD guidelines of appropriate corporate behaviour.

In response, the Canadian government agreed to a listening tour with a series of multi-stakeholder roundtables. The final product will be a paper of recommendations scheduled for delivery to the government in December.

Civil society hopes for a new and improved code of conduct. Mr. Andrews warns against a regime in Canada that is tougher than that of its global competitors. "We are not the only players out there," says Mr. Andrews. "We know legal instruments are important to them (civil society), and they think it's a solution. We don't see it that way."

The government is vague in its expectations. "The desired long-term outcome is a significant number of Canadian extractive companies that meet or exceed leading international CSR standards and best practices in conducting their operations," says Ambra Dickie, a spokeswoman for Foreign Affairs Canada.

Online registration and more information on the roundtables are available at [www.csrextractivesectorroundtables.com](http://www.csrextractivesectorroundtables.com).

[editor@embassymag.ca](mailto:editor@embassymag.ca)

# To Regulate, or Not

*What voluntary or mandatory standards, if any, should the Canadian government adopt to encourage or force Canadian companies operating overseas to conduct themselves in a socially responsible manner?*



**Andrea Botto, co-ordinator of the Canadian Network on Corporate Accountability**

"The government should regulate the companies operating in developing countries. The government's standards should be the international human rights and environmental standards that have been adopted by Canada. They should be mandatory. The government should make political and legal changes to ensure that companies [comply with] those international human rights and environmental standards."



**Deepak Obhrai, Conservative MP and parliamentary secretary for the Ministry of Foreign Affairs**

"Voluntary compliance is the best way to go ahead. It is in the interest of the companies themselves to act in that manner. That should be a very big driving force. Government intervention should only be as the last resort. I think at the end of the day, voluntary [standards] that are driven by the shareholders themselves is the best way."



**Tiffany Mak, director of ethics and sustainability at the Schulich School of Business' Corporate Social Responsibility Society, York University**

"If the government should be playing a role, they should be influential from the start. Education is the key.... The government can provide additional funding for schools to encourage business ethics and sustainable practices into the curriculum.... School curriculum needs to incorporate aspects of [corporate social responsibility] into every course, and not merely offer them as electives."



**Beatrice Olivastri, executive director of Friends of the Earth**

"Human rights, indigenous rights and environmental rights, those are areas that need to be regulated and enforced.... Canada has already put in the criminal code provisions to prosecute Canadian nationals who commit crimes in sexual tourism. They'll prosecute in Canada and have done so. We are calling on the government of Canada to take the same measures against Canadian corporations who break environmental and rights laws while operating abroad."

**Pierre Gratton, vice-president of sustainable development at the Mining Association of Canada**

"I think [the question] is a little premature. The roundtables haven't even started yet. We've got four roundtables looking at all these issues. We haven't got any set views yet on what the best course for the government ought to be.... We'll be working through the roundtables to further refine and adjust our thinking on the issue."



**Pierre Paquette, Bloc Québécois MP and International Trade critic**

"I think we need a lot on that like the Americans have because the voluntary measures are unable to do the job.... I think we need a lot of measures to force the enterprises outside to have the same standards as in Canada. Maybe the minimum wage is not the same in Mexico as in Canada, but you have to respect the national laws and also respect the International Labour Organization conventions."



**Peter Julian, NDP MP and International Trade critic**

"[The standards] have to be mandatory. When we make them voluntary than the companies that are the least socially responsible do not abide by them. With mandatory standards, than everyone is playing by the same rules."

—Compiled by Lee Berthiaume

# Real Benefits Come from CSR Business Practices

Jay **HANDELMAN**

Corporate Social Responsibility (CSR) is a hot business issue. Many companies have felt compelled to respond to pressures to be "socially responsible." However, I find that other than attempting to respond to these external pressures, many companies are uncertain why they need to implement CSR practices at all. A key give-away of this uncertainty is when companies ask, "How do you measure the company's return on a CSR investment?" Such a question indicates confusion and skepticism around CSR practices. A closer look at the value that a company (and society) can gain from CSR initiatives reveals that the benefits go well beyond discrete, measurable outcomes, but instead go right to the very survival and well-being of the company and the society within which it operates. Consider these four related CSR outcomes.

## Direct Benefits for a Company

Some companies are attracting and retaining top employees by inspiring workers who feel they belong to a company that not only has a business purpose, but a social purpose as well. For example, one company I know provides the opportunity for its employees to take three month sabbaticals every few years to work on economic development projects in developing countries. Such CSR initiatives inspire loyalty in

employees who are given the chance to personally enact a higher purpose in life. Companies also use their CSR initiatives as a basis of unique dimensions upon which to build their Corporate Brands and stand out from competitors. Such unique brand identities make for compelling brand positioning in the marketplace. Many companies have also invested in environmentally related CSR initiatives that may have required upfront costs, but have resulted in lower operating costs in the longer run. Attracting and retaining the best employees, brand positioning, and lower operating costs are just a few direct benefits for a company.

## Embedded in a Community

Consider the many Canadian resource-based companies engaging in highly intrusive business operations (extraction of resources) in some of the poorest and most politically volatile parts of the world. These companies potentially face threats from local politicians imposing restrictions on their operations; direct violence against the company's employees and physical operations; international criticism that the company might be contributing to corrupt regimes and/or to the poverty and environmental degradation of the region. Companies that successfully navigate such terrain all do one thing in common—they genuinely embed themselves in the local population. This goes beyond simply building schools or water treatment facilities. It involves engaging the local people in genuine negotiations over how the company will do business in that

region. It involves providing the local population with positive social and economic outcomes. It involves blending the interests of the local population with the interests of the company. The benefit from such CSR initiatives is that the local population actually becomes defenders of the company. Embedding the company in a community should apply to all companies operating in any region of the world. What company would not want to have the local people come to be defenders of the company?

## Securing the Freedom of Business in General

Some argue that, by engaging in social initiatives, companies unnecessarily subject themselves to constraining political interference. However, I would argue that nothing has the potential to constrain the freedom of business to operate more than social and environmental degradation. By investing in the social well being of the community within which it operates, the company wins the freedom (community support and protection) to carry out its business operations. Companies are also highly dependent on having access to a sustainable supply of natural resources. As such, why would it not be in the corporate interest to ensure the sustainability of the very natural resources upon which the company survives? A world wrought with social and environmental degradation only constrains the freedom of business to operate.

## It is the Right Thing to Do

Many business people roll their eyes at this argument, but consider the fact that over the past century, the corporation has emerged as the most powerful institution in the world—more powerful than many national governments. Access to natural resources and favourable legal structures has allowed the corporation to emerge as a dominant institution which has the greatest impact (positive and negative) on the social and environmental well-being of this planet. It only makes sense that these powerful institutions have some obligation to "give back" to the communities that have allowed them to emerge to such a privileged position.

So, what is the return on investment from a given CSR initiative? Companies that "get it" are not asking this question. Companies that "get it" recognize that an investment in CSR is an investment in the very vitality of the business itself and the natural and social world that sustains that business. Companies that "get it" recognize that an investment in CSR is an investment in its ability to carry out its business practices with the full support of society, unencumbered by social and environmental degradation. Do we really need to put a dollar value on such benefits?

Jay Handelman is an Associate Professor and the Director of the Centre for Corporate Social Responsibility at Queen's School of Business [editor@embassymag.ca](mailto:editor@embassymag.ca)