

# **Where Are All The Socially Responsible Businesses In Canada?**

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**Prepared for Employment and Social  
Development Canada (ESDC) by Canadian  
Business for Social Responsibility (CBSR)**

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**- FINAL REPORT -**

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## About This Project

The objective of this project is to assist the Community Development and Homelessness Partnerships Directorate (CDHPD) of Employment and Social Development Canada (ESDC) in supporting Canadians to increase their knowledge of socially responsible business practices in Canada. This project will inform ESDC's activities going forward as they work to create policies and tools to support all Canadians in their efforts to innovate and create caring communities.

When Canadian Business for Social Responsibility (CBSR) was first asked to assess the number of socially responsible businesses in Canada, we discussed what we assumed would be gaps in the quantifiable data available and how the overwhelming number of terms often used to qualify a company as “socially responsible” might impact our findings. Thankfully we were given the opportunity to explore and comment on the potential absence of data and to discuss the range of terminology and activities used under the umbrella of socially responsible business, how that impacted our findings overall and what that tells us about socially responsible business in Canada.

## Background

Before the idea of Socially Responsible Business became mainstream, it was a long held belief that corporations' sole purpose was profit generation and it's sole responsibility was to its shareholders. A more inclusive understanding of broader stakeholder concerns was not a priority or even welcome.

*“There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” – Economist, Milton Friedman*

Community, the environment and broader stakeholder groups were all considered externalities under Friedman vision of the market. Corporate directors now know that decisions should not only include wider stakeholder considerations, but that a well managed company must consult and respond to these wider range of actors if they hope to maintain a social license to operate and a good corporate brand reputation – essential for market performance and growth.

## What is a Socially Responsible Business?

What is a socially responsible business? The answer largely depends on our individual definitions and perceptions. What do we consider a measurable social impact? What do we consider to be within the scope of a company's responsibility? Do we believe that there is a meaningful role for business in contributing to the health and welfare of society? There are common themes and activities that have come to be associated with socially responsible business practice but there is little consensus among industry and broader society on what defines a truly responsible company. The volume and variety of terms, jargon, industry acronyms, proprietary programs and quantifiable metrics that all fall under the banner of socially responsible business further suggest that a common definition and measurement of a company's level of responsibility is challenging and contentious.

The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility as "the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large". Generally, this consideration of social, environmental and economic impacts is a common theme throughout most definitions.

However, the different sizes, sectors and models of organizations vary so greatly that fair comparisons become problematic. Each sector has unique social and environmental challenges they need to address and those impacts (both negative and positive) scale with the company's size. And if an organization addresses some but not all of these issues, are they still deemed responsible? For example, if a company implements a progressive social hiring policy and creates an inclusive participatory workforce where the employees are valued and celebrated, but then fails to address manufacturing related environmental impacts; are they a socially responsible business? And conversely, if a company touted as a leader in the manufacture of sustainable materials overlooks their misogynistic management culture, are they considered a socially responsible business?

Very few companies would claim to be without flaws in their operations but how they acknowledge and address social and environmental risk with their stakeholders is critical to reputation and credibility. Every Canadian business has the potential for both positive and negative impacts on society.

## Common Approaches to Socially Responsible Business

There are a wide range of terms and practices that fall under the banner of socially responsible business action. Although one could argue that some of these terms have nuances, many of the terms are often used in a similar context. Companies typically pick the language they feel best reflects their approach to addressing social and environmental issues and their identity as an organization. Once an organization selects a preferred term, they tend to use it exclusively.

### Sustainability

According to the Oxford dictionary, the word “sustainable” does not contain a reference to the environment. Despite this fact, the word is regularly used to describe, characterize, and frame environmental issues. The addition of an environmental component is a recent phenomenon with roots in the paradigm shifting report titled Our Common Future (1987), more commonly known as the Brundtland Report. The UN commission, chaired by Norwegian Prime Minister Gro Harlem Brundtland, coined the term *sustainable development* and established sustainability as a new environmental discourse.

Based on the definition provided in the Brundtland Report, sustainability is understood to have three aspects: environmental, economic and social. Environmental sustainability refers to the long-term health and functioning of planet Earth, its major ecosystems, biogeochemical cycles, biodiversity and inhabitants. Economic sustainability refers to the ability of market economies to operate in perpetuity; with financial and national resources allocated to ensure the stability of the system and its key components. Finally, social sustainability refers to improving people’s quality-of-life. This includes respect for human life, as well as the fair distribution of food, affordable housing, healthcare, education, job training and professional opportunities.

In recent years, many organizations have adopted this as their preferred language in place of Corporate Social Responsibility (CSR). As company’s begins to see themselves as an integral part of the social sustainability of society and in balance with the sustainability of the ecosystem, the term fits.

### Corporate Social Responsibility (CSR)

Corporate Social Responsibility is a corporation’s response to the social and environmental impacts of their operations and the related disclosure and communication of their performance. For some thought leaders and companies, the term has fallen out of favour or lost some relevance. As a company moves

beyond their immediate social and environmental responsibilities and starts to think about themselves as part of the sustainability of systems, the term and the more programmatic, internal approach no longer reflect how the company intends to engage externally.

### **Triple Bottom Line (TBL)**

In 1994, UK based thought leader and international business consultant John Elkington coined the term Triple Bottom Line (3BL) in reference to the balancing of People, Planet, and Profit. The term found public popularity with the 1997 publication John Elkington's *Cannibals With Forks: The Triple Bottom Line of 21st Century Business*. Although Mr. Elkington's [current thinking](#) about how companies approach social and environmental impact has evolved considerably, this term is still referenced widely alongside CSR today. The idea behind the triple bottom line paradigm is that a corporation's ultimate success or health can, and should be, measured not just by the traditional financial bottom line, but also by its social/ethical and environmental performance.

### **Corporate Citizenship**

Corporate citizenship has emerged as a prominent term in the management literature dealing with the social role of business. Corporate citizenship can be defined as the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by their stakeholders. Corporate citizenship builds on the language of corporations as persons, the view that corporations need to be good global citizens to maintain a positive brand image and the social license to operate. It also presents a case for strategic philanthropy fuelled by self-interest; a stable social, environmental, and political environment ensures profitable business.

### **Blended Value**

"The idea that the value created by an organization is fundamentally indivisible. Thus, one cannot speak of simply "economic value", "social value" or "environmental value"--these quantities are simply parts of one essential value." ([From the Blended Value Glossary](#)) The California Management Review originally published *The Blended Value Proposition: Integrating Social and Financial Returns* on [July 1, 2003](#).

### **Creating Shared Value (CSV)**

Creating Shared Value is about creating reciprocal benefits that meet the needs of both stakeholders and shareholders. The concept of "shared value" was first outlined by Michael Porter and Mark Kramer in the 2006 Harvard Business Review (HBR) article titled, [Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility](#) and more fully realized in the follow-up article

[Creating Shared Value](#) in 2011. Some [advisors](#), [academics](#) and other [business publications](#) have openly criticized the approach as unoriginal but most acknowledge that the corporate influence of the Harvard Business Review and the executive interest CSV has created in a business response to social and environmental impacts should be seen as a success.

### **Benefit Corporation**

Benefit Corporations or “B Corps” have the legal structure in place to pursue both profit and purpose. Benefit corporations have a unique corporate charter that provides the legal permission for the organization to pursue both profit and a social benefit. There are currently 1,600 registered B-Corps worldwide. “B Corps are for-profit companies that meet rigorous standards of social and environmental performance, accountability, and transparency. To obtain a B Corporation certification, a company must complete an online self-assessment. Companies that earn a minimum score of 80 out of 200 points undergo a review process to verify the claims made in their assessment. All companies are required to provide supporting documentation before they are certified. The assessment covers the company’s entire operation and measures the positive impact of the company in areas of governance, workers, community, the environment, as well as the product or service the company provides.” (From [bcorporation.net](#))

### **Community Engagement**

Community Engagement is the practice of actively *engaging community members* as it relates to company operations or in advance of a community development or new project (i.e. - engaging a community to consult on a proposed new mine site)

### **Community Investment**

Community Investment is the practice of actively *investing in the community* in which you operate and/or impact with your core activities as a company. These investments can have a targeted outcome (i.e. - a % reduction in poverty) and are typically delivered with not for profit partners in the community.

### **Business Ethics and Anti-Corruption Measures**

Business ethics focuses on anti-corruption, whistleblower protection policies, social/environmental governance and the related performance disclosure. For some companies this is addressed in a broader CSR policy, but for other organizations (especially with significant international business dealings and public sector projects) Ethics and Anti-Corruption measures are more prevalent in training, policy and process of the organization.

### **Good Governance**

Good Governance is the practice of actively embedding your values and purpose into the governance of your organization and potentially the performance measurement of the board and executive leadership.

### **Social Enterprise**

A social enterprise is a for-profit organization that aims to correct or alleviate a social challenge with their core business model.

### **Employer Led Volunteering**

Employer Led Volunteering models direct volunteer hours on a specific cause chosen by the company or by using the firm's core skill set to deliver pro-bono support more broadly.

### **Employee Led Volunteering**

Employee led volunteering programs support employees in volunteering with an organization of their choosing. The employer typically donates the employee's work time and sometimes includes cash contributions.

### **Philanthropy or "Giving Back"**

Philanthropy or "Giving Back" has been dismissed by some organizations as dated and incongruent with the modern business approach of building a program around their brand and core business. As with volunteering and community investment the language and focus on "materiality" to the business and measurable impacts is putting pressure on the philanthropic community and fundraisers to think differently. Increasingly companies are trying to align their community spending to their business. If it's a bank, for example, they want to focus on financial literacy training and sponsorship. As a result, community organizations and not for profit organizations are rethinking whom they partner with and how they approach corporate partnerships.

## Canadian Directors and The Legal Precedent

The bulk of socially responsible business actions are voluntary but under a shareholder primacy approach some investor groups and executives insisted that fiduciary responsibility was their legal responsibility and therefore considering social and environmental impacts was irresponsible or potentially illegal. Here in Canada that decision to include the balancing of stakeholder and shareholder interests was challenged in an important precedent setting case giving Canadian directors the legal precedent to widen their considerations.

*“The duty of the directors to act in the best interests of the corporation comprehends a duty to treat individual stakeholders affected by corporate actions fairly and equitably”  
(From the Supreme Court decision in BCE Inc. v. 1976 Debenture Holders  
December 19, 2008).*

So where previously corporate Directors would site risk of litigation as a reason for not formally considering social and environmental consideration in their business planning, this Supreme Court decision protects a Director’s decision to take the full spectrum of stakeholder concerns into considerations as part of any given business decision.

## Responsible Business in Canada

Canada’s growth and prosperity have largely been attributed to the strength of our natural resource based economy. Companies running mining, forestry or oil and gas operations have faced serious social and environmental challenges that are unique to their sectors. Although some companies address these challenges as “the right thing to do”, more often these issues are being flagged as part of a broader “risk” assessment. These are material risks to their environmental permitting processes and a risk to a losing their “social license to operate” (Jim Cooney) in a given community. The social impact of the Canadian natural resource sector is no less complex and challenging.

Whether the operation is in Northern Ontario or Guatemala, the company’s ability to build and maintain local consensus around a project is critical. Motivation aside, if these conditions are met they are generally perceived to be responsible corporate citizens. However, it is important to note that for some stakeholders, these conditions will never be met. They may be morally opposed the product or service

being created and would never deem the company a responsible business. Again this is somewhat subjective relative to the stakeholder.

Many major Canadian companies are often part of what is referred to as “our branch plant economy”; multinational corporations with head offices outside of Canada. In our conversations with Canadian branches they often cite a lack of autonomy from the parent company to pursue more ambitious social or environmental activities. Most new actions require approval from a head office outside of Canada and often how that brand addresses these issues is dictated by a global framework/theme. Some companies have worked around this by pursuing small Canadian pilot projects before engaging head office but this lack of autonomy does hinder innovation, creativity and a Canadian branch's ability to respond in a localized way.

There is an interesting Halo effect around Canadian companies. Despite repeatedly hearing from our Canadian business network that we are lagging behind other countries and have a long way to go to reach a critical mass of socially responsible business, we routinely hear from sources outside the country that our reputation is strong. What we see as a disconnect in our actual performance vs. our reputation is further supported by the results of the Edelman Trust Barometer 2016 which places Canadian companies in the top percentile of “most trusted” companies.

Much of the data and references contained in this report disproportionately feature larger companies – often publicly traded companies and many with head offices outside of Canada. Despite hearing that Small and Medium Enterprises (SMEs) are the backbone of our economy and learning that SMEs employ the largest percentage of Canadians, they are underrepresented in our search for SRB recognitions.

## **Social Performance vs. Environmental Performance**

For the purpose of analysis we have chosen to focus less explicitly on environmental performance and the related indicators in favour of more socially specific impacts. Recognitions for Green Teams, Water Conservation Programs, and Environmental Leadership Awards have not been included in the datasets or the analysts with a few exceptions. We have included data from sources that look at a company's holistic performance in both social & environmental issues (like CSR) or exclusively social impacts. For example, we have included companies that were listed on the

Down Jones Sustainability Index (DJSI) because that index includes both environmental and social performance.

This is not to say that good environmental performance is not socially responsible. Negative environmental performance often has a negative social impact (i.e. - access to clean drinking water, or climate changes impacts on communities). The hope here was to narrow down the scan to focus on social activities and make the data more relevant for Employment and Social Development Canada.

This focus poses another challenge – environmental data is more absolute and companies have been collecting this data for some time. One could argue that the reason companies have been more responsive to environmental issues centers around their ability to measure and manage the impacts. In many cases companies found significant cost savings when they started to take a critical look at environmental waste, water and energy issues.

A comparable standardized set of measurements does not exist in the social impact sphere, and again, the activities and impacts are so varied that benchmarking and measurement are challenging. [Social Impact Measurement](#) and [Social Return on Investment \(SROI\)](#) is a relatively new field by comparison to environmental performance management. Although it is tougher to measure the impact and many programs are unique, companies are still attempting to build their own reporting and measurement tools to more effectively manage their social impacts.

## What Does The Data Tell Us?

Table 1 reveals that Ontario, British Columbia, Alberta and Quebec have the largest share of socially responsible businesses in Canada. As can be seen from Table 2, most socially responsible Canadian corporations do not receive recognition for their socially responsible actions. RBC, Suncor, TD, TELUS, Bombardier, CN Rail, CIBC, Enbridge, Canadian Tire, and TECK Resources were the only companies recognized more than five times each. Considerable kurtosis can also be seen in the results in Table 2; only 74 of the 628 identified companies were recognized more than once. The results indicate that company size is correlated with the level of recognition for socially responsible business practices. Every company recognized more than twice was a large, national Canadian brand. When B Corporations and 1% for the Planet members are excluded from the results, only 361 of the 628 total companies remain.

Table 3 indicates that utilities, manufacturing, retail, information and communication technology, extractives, banking/finance/insurance, travel/tourism, and agriculture/food are well represented in Canada's socially responsible business landscape. As can be seen from Appendix 3, professional services constitutes an important sector of socially responsible business for most provinces. Interestingly, the results also indicate that this sector is underrepresented when it comes to their level of recognition (with a maximum of 2 awards per company in this sector). The results also reveal that the extractives sector in Alberta, the manufacturing sector in Quebec, and the banking/finance/ sector in Ontario received considerably more recognition than most other sectors for their socially responsible activities.

During the research process, industry association awards were considered for inclusion if they met social and environmental criteria. The results of this research reveal that most associations do not currently award for responsible business or sustainability. Industry association awards tend to focus on issues related to the competitiveness drivers within the industry. For example, the Information Technology Association of Canada (ITAC) issues awards based on innovation. The Spa Industry Association of Canada (SIAC) issues awards based on education, quality assurance and sustainability; as the use of non-toxic products is a key competitiveness issue and differentiator within this industry. The Mining Association of Canada (MAC) is a unique example whereby sustainability is the core criteria for recognition. This indicates that the mining industry recognizes that maintaining and strengthening a "social license to operate" is necessary for continued growth and profitability.

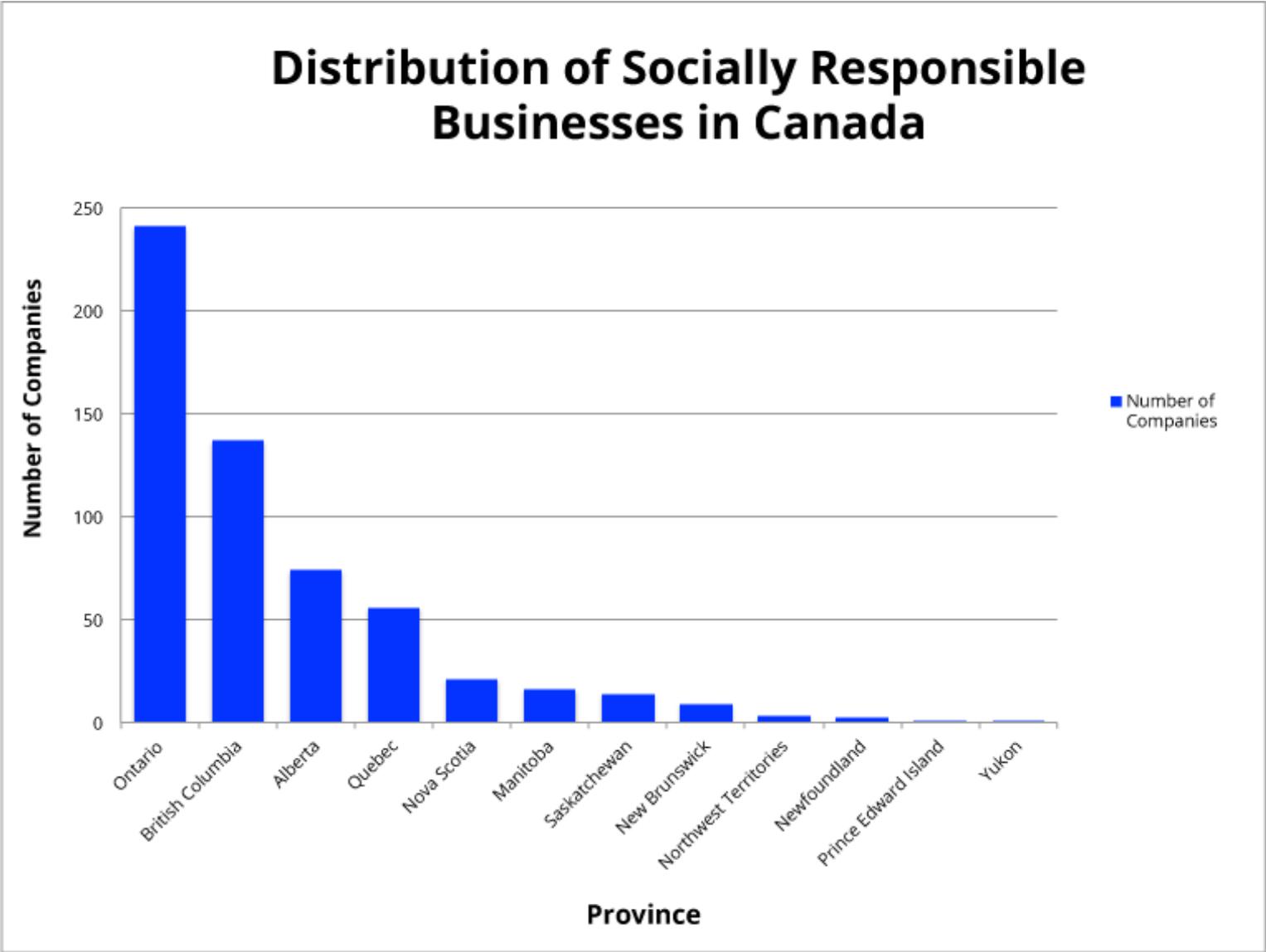


Table 1 – Distribution of Socially Responsible Businesses in Canada

# Company Size vs. Recognition for Socially Responsible Business

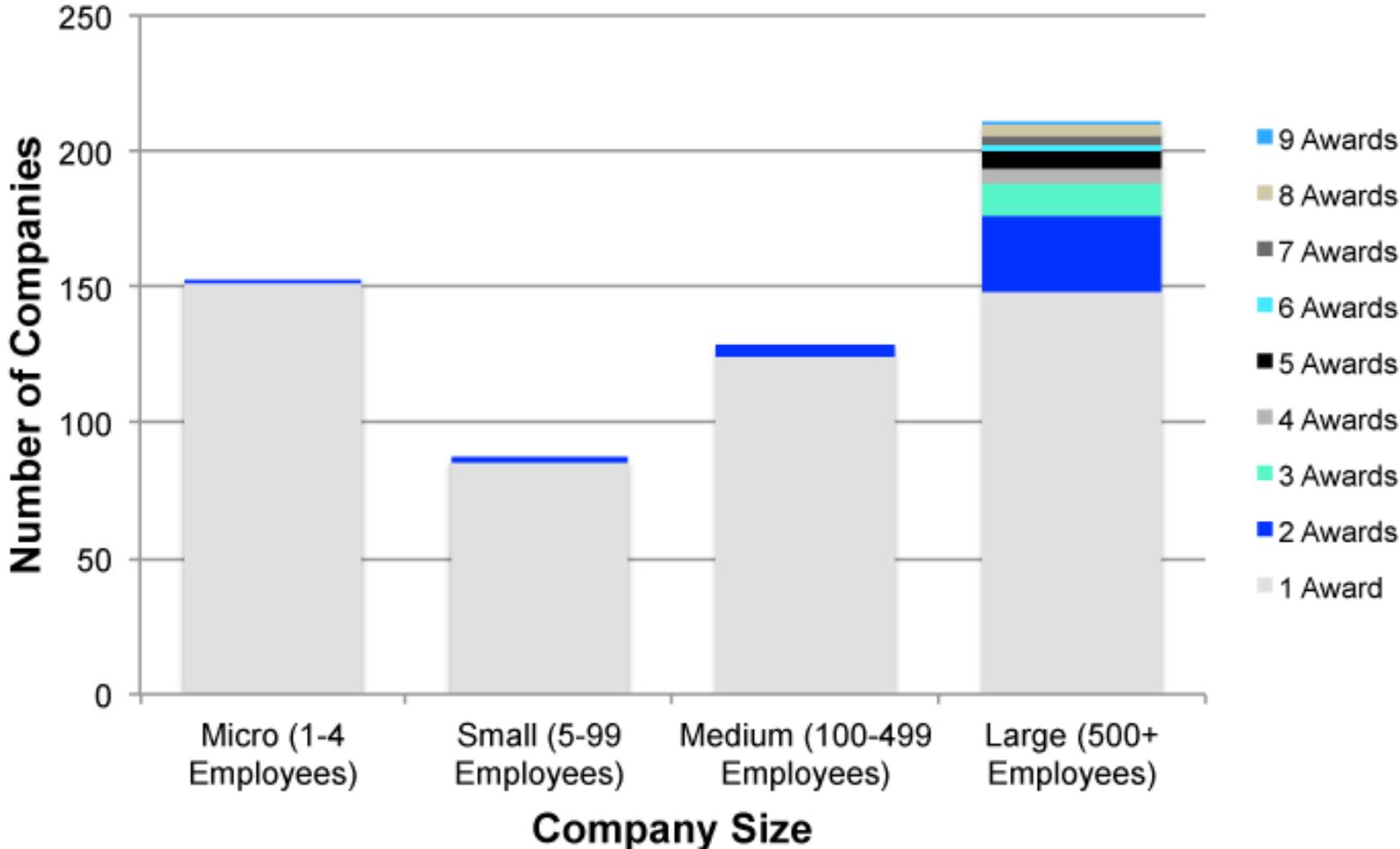


Table 2 – Company Size Versus Recognition for Socially Responsible Business

## SRB Sector and Provincial Distribution

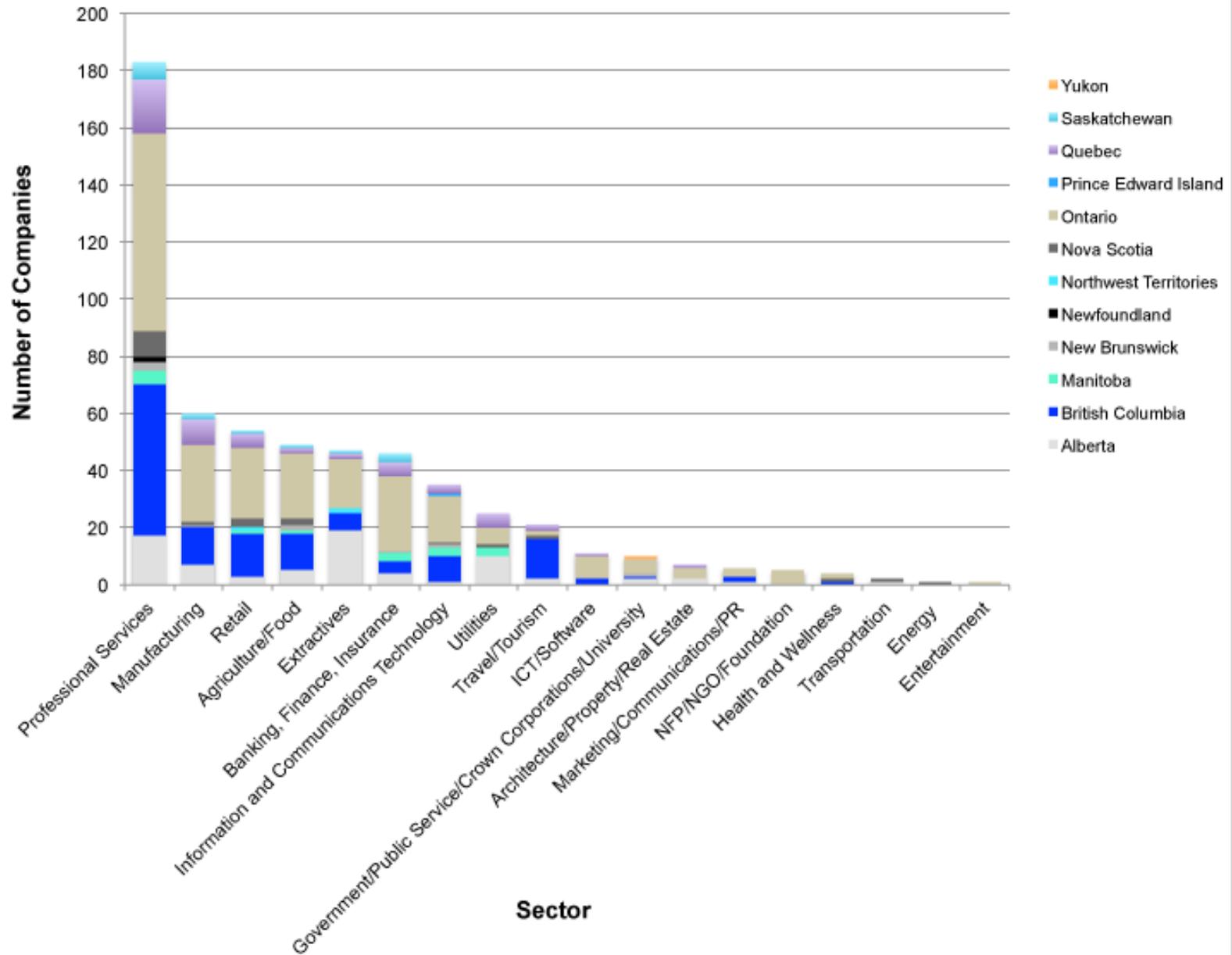


Table 3 – Socially Responsible Business Sector and Provincial Distribution

## Where are all the Socially Responsible Small Businesses?

According to Industry Canada, there were 1.17 million employer businesses in Canada as of December 2015:

- 1.14 million (97.9%) were small businesses
- 21,415 (1.8 %) were medium-sized businesses
- 2,933 (0.3 %) were large enterprises

Of the 1.17 million employer businesses active in Canada, the largest SME group was micro-enterprises (1 to 4 employees). They represent 54.1 % of all private employers in Canada. If you were to add employers with between 5 to 9 and 10 to 19 employees, it would account for 86.2 % of all employer businesses.

While it may seem discouraging that there is a noticeable absence of SME companies recognized or celebrated nationally. We would suggest that there are three contributing factors to this lack of recognition:

1. Large companies have the marketing dollars to spend on promoting their socially responsible business programs and the resources to apply for recognitions and awards.
2. There are limited tools and resources catered to Canada's SME community. Big companies are the logical targets for service providers and the non-profit community does not have the resources to meet such a large and diverse market alone.
3. Small business owners don't use the language of CSR or socially responsible business often citing that it's "just the right thing to do". Relative to visibility of larger companies' initiatives, local SME success stories are far less visible so we hear far less about the social and environmental SME leadership.

In our discussion with small business owners we often hear that they don't have the resources to take on more ambitious goals. Given that significantly larger and well-funded companies often have one or two people dedicated to sustainability and/or community teams supported by communications departments, it is easy to see how competing for attention in this space might be difficult.

We also hear from small business that they “don’t want to brag about what we do” citing that it is “just how we do business”. For them it is not a CSR program, it is a reflection of their own personal values and part of how they conduct themselves. The question remains: how many SME sized businesses are doing socially impactful work without any support or recognition? Is there an opportunity to support an underserved community to have a greater impact with their business locally?

## **Canadian Small Medium Enterprise (SME) Leaders**

### **Beau’s All Natural Brewing Company**

All Beau’s beers are certified organic and made with 100% certified organic malt and hops, and local spring water. Beau’s has implemented a purchasing policy that favours local suppliers, those with good environmental track records, and who treat their employees fairly and with respect. In 2014 Beau’s became the first craft brewery in Canada to choose 100% green natural gas in addition to 100% green electricity with [Bullfrog Power](#). Beau’s donates to more than 100 independent arts and music, community-building and charitable organizations every year. On July 1, 2016, Beau’s tenth anniversary, the company will start the process of selling the brewery to its employees.

### **Textbooks for Change**

Textbooks for Change is a social venture and B Corp that provides affordable and accessible educational material to students both locally and abroad. They repurpose used textbooks to create social impact and improve the educational landscape for students around the world. Textbooks for Change accomplishes this by donating thousands of post-secondary textbooks to East African universities annually, selling affordable used textbooks to North American students and using proceeds to help fund student-led impact initiatives, and diverting thousands of textbooks from landfills by recycling them efficiently. To date, more than 107,301 books have been donated to African universities, \$215,057 in donations and microloans have been made, and more than 130,078 books have been reused and recycled.

### **Eva’s Phoenix Print Shop**

Eva’s Phoenix Print Shop is a socially and environmentally responsible commercial printer that supports a training program for homeless and at-risk youth. Located at Eva’s Phoenix, it serves as a transitional housing and employment facility for homeless youth. Described by Print Action magazine as “Canada’s leading social program with print ties”, the Eva’s Phoenix Print Shop has connected over 100 youth with career building opportunities in the vibrant graphic communications sector.

Over 70% of youth who complete the print training program connect with full-time work.

### **G Adventures**

As a travel company, the planet is their product. G Adventures is a social enterprise, which means the social value of what they do is just as important as the profit it earns. G Adventures supports local entrepreneurs and small businesses to ensure that the destinations remain resilient and thrive. Established in 2003, the Planeterra foundation is G Adventures non-profit organization dedicated to ensuring the communities touched by tourism benefit from the opportunities it provides. Planeterra works directly with G Adventures to minimize the impact on the destinations, and to promote sustainable solutions and economic growth for communities. Planeterra manages over 50 current and funded projects in underserved regions all over the world.

## Interview Findings

### Q1: In your opinion, which segment of the Canadian business community is addressing social responsibility best?

In conducting interviews, CBSR found a great deal of diversity in the thoughts surrounding socially responsible business action in Canada. One respondent indicated that the oil and energy sector was leading "...because of necessity and capital. Social responsibility has found a home (and budget) in the oil and energy sector under crisis communications/management". Other respondents indicated that the resource sector was "...addressing social responsibility in a material way", "their impacts are so great they are under tremendous scrutiny". The respondent from the social impact sector pointed to mass retail, and telecommunications as being leaders in social responsibility in Canada. A respondent from the research and consulting industry indicated that, "multi-national companies are addressing social responsibility best due to exposure to real international risk sensitive situations (i.e. - Canadians mining internationally)".

Another respondent from the SME sector indicated that "...smaller and independent businesses are leading in corporate responsibility. Consumers are voting with their dollars, and supporting independent small business owners who are authentic and engage with their community. Smaller businesses are a mirror for the individuals behind them; it reflects an individual desire to be socially responsible and a growing acceptance of the concept in society."

The respondent from the small business sector indicated that "... the architectural and design community are addressing sustainability in a material way. The materials they use, and the companies they interface with are the most forward thinking. Socially speaking, it's harder to gauge. The banks, and large companies have community investment programs now that are whole departments."

A respondent from the industry association space indicated that "financial services are leaders and are very visible in community investment, and as such, are publicly acknowledged". This reflects the findings covered in the earlier data findings section whereby CBSR uncovered higher levels of recognition in the Ontario finance and banking sector. The respondent from the research and consulting industry expressed a contrary view, indicating, "Banking is facing growing pressure to deliver a positive social impact relative to their size and influence".

A respondent from the sustainability consulting industry commented that, “mining in terms of community impacts and their aboriginal relations are clear leaders. The banking sector are also leaders with their link to social finance”.

## **Q2: Which certifications/ratings/rankings of Socially Responsible Business do you trust?**

Respondents to this question indicated a variety of opinions on what constituted a trusted certification and ranking. One respondent indicated that “B Corps aren't perfect, but they are gaining credibility”. This respondent also questioned the value of certifying offices and B2B services because “participation as a B Corp is more often than not a business development position which detracts attention from larger systemic challenges. Calculating paper consumption and inconsequential community outreach as KPIs are not in the spirit of the voluntary triple bottom line - the most honest way of articulating what a social business is”.

One social entrepreneur said, “I think the B Corp is trustworthy, because having gone through the process, there is quite a lot of rigor in granting B Corp status. The B Corp movement is largely smaller companies, but increasingly there are large corporations becoming B Corps like BDC”. Another respondent from the small business sector commented that, “CBSR membership is another valued trust mark”.

A respondent from the sustainability consulting industry said “B Corp has a good set of social issues, but its not third-party verified so I trust it to a limited degree. ISO 26000 is not a ranking or a rating but it has good trustworthiness. DJSI and Sustainalytics/MSCI do not make their ranking methodologies public. They are credible service providers, but you have no way of validating if your priorities are reflected in their analysis. FSC is a trusted-standard because it is a multi-stakeholder standard that is third party certified and stakeholders govern the program. B Corp doesn't have the same level of rigor”.

One respondent from the crown corporation sector indicated that they trusted the International Finance Corporation (IFC) Performance Standards (on social and environmental sustainability) and the Equator Principles, MSCI/Sustainalytics performance reports, CPA Canada Awards for Sustainability Reporting, Corporate Knights, and generally awards where companies are not applying.

Others were wary of rankings, or didn't pay attention to publicly available datasets and certifications. One social entrepreneur indicated that, “the sustainability ranking with the most profile is Corporate Knights”. Another pointed to GRI as “...the most

relevant” but admitted it “... does not fully capture the full business picture because reporting is subjective”. The respondent from the research and consulting sector pointed to “both the DJSI and CDP as having the global credibility and power to influence markets”.

**CBSR has discovered less than 1000 Canadian companies that have currently been recognised for socially responsible leadership in Canada.**

### **Q3: Why aren't their more companies recognized?**

In revealing the results of CBSR's research, a number of contrasting opinions were revealed as to the lack of visible, recognized companies pursuing social responsibility. One respondent from the SME sector indicated that “social responsibility is perceived as a recent development. There is a lack of capacity to address issues of social responsibility formally in small organizations when there are more immediate, day-to-day operational issues.” Furthermore, “...small businesses aren't necessarily looking for recognition, it's just the way they do business”. The respondent from the small business sector shared these thoughts by saying “ultimately socially responsible companies are not looking for recognition, they're more interested in impact. Recognition comes in the form of sales and new customer relationships.”

One social entrepreneur suggested that “nobody really understands what the bulk of Canadian SMEs are doing, there is no visibility into their activity. Many are probably responsible, but they don't appear on any lists”. Expressing a similar sentiment, the respondent from the industry association sector said, “there are more – we just don't know about them. With that being said, some companies still don't get it and need to be educated. Many companies don't know where to start.” The respondent from the crown corporation sector suggested that there are “tons of them – it doesn't mean it's not happening” just because they aren't recognized.

Other social entrepreneurs took a more critical position of organizations like MaRS and The Centre for Social Innovation (CSI) as preventing further growth in this sector. “These well-funded organisations have a significant early mover advantage. It allows them to set the agenda and direction of conversation with the media, public and elected officials. Any attention for the movement outside of MaRS and CSI is owned by CSR programs of larger firms”. As such, the space may be perceived as being ‘owned’ by major players in Canada's corporate sector, resulting in low engagement from traditional entrepreneurs.

A respondent from the sustainability consulting industry said “companies are not managing their social impacts, they are further along on managing their environmental impacts, but they would say they don’t know what social responsibility is, the metrics, or how to report it – its an underdeveloped area of business. There is a philosophy of humility, pursuing social responsibility because it’s the right thing to do – its wrong, but it’s strong. There is a fear that if it’s done due to enlightened self-interest, it would be viewed as suspect.”

#### **Q4: What issues (both perceived and real) are barriers to Socially Responsible Business excellence?**

CBSR received a broad range of opinions relating to the barriers to socially responsible business excellence in Canada. One social entrepreneur indicated that it was an issue of capacity. “People are more worried about cash-flow, collecting receivables, sales, marketing”. The same respondent also pointed to the problem of “...sustainability reporting becoming increasingly more costly, time consuming and complex”. A respondent from the small business sector shared these thoughts, pointing to budget as a primary constraint “...it costs money to be socially responsible. Business owners are too busy doing business to pursue time consuming processes like B Corp certification. Perhaps we need federal grants to help SMEs gain capacity”.

The respondent from the research and consulting sector suggested that, “perhaps there is an issue with articulation - if you can’t communicate it clearly internally or externally it won’t be prioritized to make it internally valuable and embed in the business.” Another suggested Canada was lacking a catalyst and/or leadership in the space. “There is still the perception of CSR and sustainability as a cost center for a business”. The respondent from the crown corporation sector suggested that, “we need to promote a community investment model that creates value for the business and the community (via new customers, new market segments). Canadian companies are not seeing enough examples of how companies are addressing social issues locally”.

Others took a more critical approach, suggesting that “...too many 'thought leaders' and personal brands have developed alongside socially responsible business efforts. Their positions are obfuscated by the ambiguity of the definition; allowing them to make value judgments and co-opt narratives”. The same respondent also pointed to a second challenge - bureaucracy. “It adds significant cost and operational complexity (which is why 'good' or certified products cost more than things which have zero transparency and accountability)”.

A respondent from the sustainability consulting industry pointed to the “lack of a business case, the lack of understanding of how to do it, old management philosophies and approaches to socially responsible business, uneasiness to practice social sustainability in ways that generate business value, lack of best practices and examples. Furthermore, there are no mutually agreed metrics for measuring social responsibility.”

## What is the Future of Responsible Business in Canada?

Although the roots of responsible business date back to social change movements of the 1960s and the creation of the Organization for Economic and Co-operative Development (OECD), Canadian companies didn't start embracing the related challenges until the 1990s. In the wake of numerous unethical business findings, including environmental disasters and exploitative sweatshop labour practices (i.e. - Nike factories and child labour) citizens boycotted companies and called for action, accountability and greater transparency from business.

Initially companies focused on compliance to industry set standards and adherence to local law as a measure of responsibility. That led to a more fully operational view including philanthropy and a marketing and public relations focus. That has since given way to the more strategic approach to responsible business that is common today: both sustainable and profitable, balancing risks and opportunities supported by cross-functional teams and public disclosure of performance.

A new breed of companies are evolving and maturing this approach to focus on meaningful measurable impacts. In an effort to tackle current social inequities and the environmental impact of their entire value chain these companies are moving well beyond their own operations to lead transformation of their business and their sector. At the same time, social enterprises are building on the promise of non-profit impact with the financial stability of a for profit company - building new lines of revenue where traditional funding gaps existed. B Corps are also contributing a positive social impact through their hiring practices and business models. However, they are often very small or sole proprietors and have a limited scope to their operations. It should be noted that there is increasing interest from large corporations regarding B Corp certification.

Our interview findings also revealed that sustainability reporting is evolving quickly. Companies have come to realize that external reports are widely ignored by the public; calling into question the resources needed and the underlying purpose. While measurement and tracking of key material metrics is an important part of social responsibility, CBSR contends that the creation of new social enterprises, and the creation of social [intrapreneurship](#) cultures within existing organizations will play a significant role in the future of social responsibility in Canada. As large companies realize that sustainability can be a revenue generator rather than a cost center, a shift in strategy will start to become prevalent. Social enterprises also have a tangible impact on their communities, making them more suitable for

sustainability communications than incremental environmental improvements or abstract social performance KPIs.

Another major shift in the nature of socially responsible business is the move from voluntary compliance and disclosure to a more regulated mandatory environment. For example, the Johannesburg Stock Exchange in South Africa has made independent Corporate Social Responsibility assurance mandatory for listed companies. Belgium has also mandated that all companies must use ISO 26000 to disclose their social and environmental performance. Here in North America the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) are actively engaging the Securities and Exchange Commissions to make similar disclosures mandatory. While one might assume that companies are resistant to regulation, businesses that have taken leadership on socially responsible business practices are interested in separating themselves from the laggards and using this new regulatory environment to their advantage.

## **Where From Here?**

### **Corporate Engagement - Social Enterprise Innovation**

Despite the existence of Social Innovation Generation (SiG) and the Centre for Social Innovation (CSI), more work can be done to increase corporate knowledge as it relates to social enterprises. It is often said, “nothing is more powerful than an idea whose time has come”. Unfortunately, corporate understanding of the role of social enterprise with respect to sustainability is in its infancy. Sustainability and CSR is still seen by many corporate executives as being a cost center within an organization. Very few companies have successfully integrated sustainability into the organizational culture and fewer have experience running a purpose-driven organization. There is a significant learning opportunity for the majority of Canada’s corporate sector. What role could ESDC play in helping Canadian companies develop the capacity to create and partner on social enterprises?

### **Feasibility Study - Regulating SRB Disclosures**

In recent years, a number of stock exchanges around the world have implemented mandatory, prescriptive and broad sustainability disclosure policies. Countries such as Denmark have implemented legislative requirements for companies operating within their boundaries. Danish law requires that companies disclose their policies on CSR and which standards, guidelines and principles they apply. Finally the report must include an evaluation of the effects of the company’s CSR strategy in the given accounting year. Companies in Denmark are however allowed to state in the management report that they do not work with CSR. Consider conducting a

feasibility study to determine which standards (such as ISO 26000) might be feasible for the majority of businesses operating in Canada. Consider which companies would be in scope, as a minimum revenue threshold would likely be appropriate.

### **Business Performance Platform With Common Metrics**

The Canadian business community still lacks a common framework for measuring social responsibility. The wide range of terms, initiatives, and certifications covered in the definitions and sources section is testament to the fragmentation still pervasive within the CSR and sustainability community. Consider the difference between companies pursuing community investment versus employer led volunteering as their primary social responsibility strategy. This reality is common and effectively limits collaboration between organizations.

What role could ESDC play in defining the priority social impacts of Canadian business? SME's in particular do not have access to a performance portal/platform, with a core set of common metrics for all companies to track. A project of this nature could yield greater insight into the socially responsible actions of Canada's SME community; an area which currently has limited visibility. Furthermore, it could create consensus for Canadians around the core activities that should serve as the foundation of a socially responsible approach to business.

## **Appendix 1 - What Qualified Companies for Inclusion in This Report?**

We focused our scan for socially responsible business by seeking public recognitions and awards for a range of best practices.

### **Voluntary Public Disclosure of CSR Performance**

- Most publicly traded companies in Canada make Environmental, Social and Governance (ESG) disclosures to investors, analysts and the public.

### **Community Investment Leadership Recognition**

- Public recognition from a community group or national organization like Imagine Canada for leadership in community investment

### **Volunteer Commitments**

- Organizations that have been publicly recognized for significant volunteer contributions – either through supporting employee volunteering or by taking leadership as an employer led volunteering culture.

### **Philanthropic Recognitions**

- Recognition for sustained fundraising and donations to a cause or community project.
- Hiring locally and providing job opportunities for at risk citizens
- Advocacy in the interest of the broader community
- Employer led volunteering – companies donating staff time towards community projects
- Volunteering – where the company lets the employee select a cause of choice and donate their time towards that project
- Community investment and engagement

### **Sector/Industry Awards of Excellence**

- Recognition by your peers in an industry for leadership on social issues

### **Regional/National Recognitions**

- Chambers of Commerce, Centres of Excellence recognition for leadership on social issues

### **NGO awards and recognitions**

- An award or recognition from a Non-Governmental Organization for leadership on social issues

### **Market Indices**

- Publicly traded companies with Canadian operations that are listed on the Dow Jones Sustainability Index

### **Environment, Social & Governance (ESG) Analyst Ratings**

- Transparency and disclosure of ESG data
- Both [Sustainalytics](#) and [MSCI](#) provide fee for service analysis of a company's ESG disclosure – in compliment to the financial analysis, providing investors with their interpretation of the social and environment related to the investment (this data is not publicly available).

## Appendix 2 - About the Sources

**One Percent for the Planet** is a global movement of companies donating at least 1% of their annual net revenues to environmental organizations worldwide. Contributing members provide financial support for sustainability-oriented non-profit organizations that protect land, forests, rivers, and oceans. While membership does not require a developed corporate responsibility program, it is an entry point for organizations beginning their journey in sustainability. It provides a simple, hassle-free method for companies to demonstrate a social conscious and provides a trust-mark that customers recognize.

The **Corporate Knights Best 50 Corporate Citizens in Canada** is one of the most respected measures of corporate responsibility in the world. Published by Corporate Knights: The Magazine for Clean Capitalism, the benchmark includes environmental, social, and governance considerations such as: energy productivity, GHG productivity, water productivity, waste productivity, CEO-to-average employee pay, board diversity, management diversity, etc. The ranking methodology and supporting data is publicly available, providing a high level of transparency.

The **Association of Fundraising Professionals (AFP) Philanthropy Awards – (Corporate Award)** provides recognition for outstanding philanthropic activity in the corporate sector. Philanthropy demonstrates a rejection of the traditional view of social responsibility originally advocated by Milton Friedman in 1970 (i.e. – that the social responsibility of business is to increase its profits). It is important to note that although philanthropy is often connected to corporate responsibility programs, it has also evolved into a business approach that seeks to link core business activities with alleviating social and environmental problems. The source was included in this dataset because philanthropy is a good proxy for community investment and stakeholder engagement activities.

The **Canadian Plastics Industry Association Sustainability Award** recognizes individuals or organizations that have contributed to the sustainability of the Canadian plastics industry in an environmental, social or economic manner, including post-use plastics recovery. Nominee's contributions could be for efforts related to sustainability in recycling or for products or packaging that contain at least 20% post-use plastics collected for recycling. Utilizing recycled materials contributes to sustainable development by increasing resource productivity and reducing the need for scarce environmental resources (i.e. – virgin materials). While information relating to the awarding criteria is not available for this dataset, it

remains on the few industry bodies in Canada that awards specifically for sustainability.

The ***Awards in Excellence in Corporate Reporting*** showcases the best corporate reporting models in Canada. The program is open to Crown organizations and listed Canadian companies. Judging for this award is a joint endeavor, with Chartered Professional Accountants of Canada (CPA Canada), The Canadian Investor Relations Institute, and CFA Society Toronto playing key roles. Established in 1951, the Awards in Excellence in Corporate Reporting have evolved to include sustainability considerations; hence their inclusion in this dataset. The awards are published with an accompanying judges book that provides an explanation of the scoring methodology and associated scores. This focus on transparency further contributes to its credibility.

The ***CDP Climate Performance Leadership Index*** reveals which companies around the world are doing the most to combat climate change. The Carbon Disclosure Project (CDP) is an organization based in the United Kingdom that works with shareholders and corporations to disclose the greenhouse gas emissions of major corporations. Utilizing voluntary, self-reported data, the CDP has played an integral part in the recent development of corporate responsibility. More than 1,900 companies provide annual corporate climate change submissions and scoring for the Performance Leadership Index is based on these disclosures. As such, this index is an internationally respected measure of corporate responsibility.

The ***Excellence in Corporate Responsibility (ECR) Awards*** were developed by Green Living (a for-profit company) to honor and celebrate corporate Canadians for outstanding work and dedication towards creating sustainable and ethical practices. Award categories include: reporting/communications, employee engagement, waste diversion, water conservation, community engagement, social enterprise creation, GHG reduction, product & service innovations, and collaboration. These categories represent the major focus areas of corporate responsibility and sustainability practitioners working in Canada.

The Mining Association of Canada's ***Towards Sustainable Mining (TSM) Awards*** represents the industry's commitment to sustainability. It is a set of tools and indicators designed to drive performance and ensure that key mining risks are managed responsibly. Established in 2004, the awards acknowledge innovative projects and initiatives that expand and promote sustainable development within the mining sector. A TSM Leadership Award is granted only when a facility meets or exceeds a Level A ranking in their results across all of the six protocols of TSM -

Aboriginal and community outreach, crisis management, safety and health, tailings management, biodiversity conservation management, and energy use and greenhouse gas emissions management. A facility's TSM results must be externally verified to be eligible for this recognition.

**Canada's Top Small & Medium Employers Award** is an editorial competition that recognizes the small and medium enterprises (SMEs) that offer the nation's best workplaces and forward-thinking human resources policies. While the award does not explicitly focus on sustainability, it includes employee engagement and community involvement considerations. These factors are well-established indicators of corporate responsibility and social responsibility; hence their inclusion in this dataset.

**The Dow Jones Sustainability Indices (DJSI)** is one of the world's most respected indicators for corporate leadership on sustainability. The index is managed by S&P Dow Jones Indices LLC; the world's largest, global resource for index-based concepts, data and research. RobecoSAM's annual Corporate Sustainability Assessment (CSA) determines which companies are included. Founded in 1995, RobecoSAM is an investment specialist focused exclusively on sustainability investing. Canadian companies from the DJSI North American Index were selected for inclusion in this dataset.

**B Corporation (B Corp) Certification** is another indicator selected for inclusion in the supporting dataset. B Corps are for-profit companies that meet rigorous standards of social and environmental performance, accountability, and transparency. To obtain a B Corporation certification, a company must complete an online self-assessment. Companies that earn a minimum score of 80 out of 200 points undergo a review process to verify the claims made in their assessment. All companies are required to provide supporting documentation before they are certified. The assessment covers the company's entire operation and measures the positive impact of the company in areas of governance, workers, community, the environment, as well as the product or service the company provides.

### Appendix 3 - SRB Recognition by Province and Sector

