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# Corporate Social Responsibility in Canada The 2008 Ivey-Jantzi Research Report

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## Corporate Social Responsibility in Canada The 2008 Ivey-Jantzi Research Report

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**Centre for Building Sustainable Value  
Ivey Business School**

Ivey's Centre for Building Sustainable Value strives to stimulate research that simultaneously builds business and social value. The Centre ensures that this research has impact on education and practice. Through this research, the Centre provides practitioners and students with the knowledge, tools and capabilities to manage both private and public interests effectively through organizational actions.

The Centre is home to the Research Network for Business Sustainability ([www.sustainabilityresearch.org](http://www.sustainabilityresearch.org)), which connects over 200 researchers across Canada and whose work reaches over 1000 practitioners worldwide. As well, the Centre hosts a number of learning events, produces the annual Corporate Social Responsibility in Canada report, and offers several programs that encourage researchers and practitioners to visit the Ivey Business School.

For more information on the Centre, we encourage you to visit our website at [www.ivey.ca/centres/building](http://www.ivey.ca/centres/building).

## The Year in Review: Laudable Initiatives, Weak Outcomes

Canadian companies are investing significantly in socially responsible programs, policies, and public statements. Overall, CSR<sup>1</sup> scores were up, especially in the areas of corporate governance, employees, and the community. Less significant advances were made in terms of the natural environment and human rights. The overall score for customers even decreased slightly.

Table 1

### CHANGES IN OVERALL AVERAGE SCORES FROM 2006 TO 2007 BY CATEGORY FOR ALL FIRMS

Category	Score 2006	Score 2007	Percentage Change
Overall CSR	4.75	4.84	1.9%
Community	3.74	3.86	3.1%
Corporate Governance	6.56	6.81	3.7%
Customers	5.32	5.31	-0.2%
Employees	4.02	4.11	2.2%
Environment	5.12	5.17	1.0%
Human Rights	4.15	4.17	0.5%

<sup>1</sup> CSR refers to Corporate Social Responsibility throughout this report

However, a closer look at the data reveals that these improved CSR scores tend to be driven more by changes in intentions (i.e. policies and programs) than outcomes. For example, the improvement in corporate governance was through the adoption of organizational codes of conduct and the separation of the roles of Chairman of the Board and Chief Executive Officer. However, on average, executive compensation increased, which is generally regarded as an erosion of good governance. As well, companies on average invested more in diversity initiatives and maternity and paternity programs, but there was no real change in the representation of women on boards and in senior management roles. Health and safety audits and inspections were more common, but health and safety penalties and convictions actually increased. More firms adopted environmental management systems and policies, yet regulatory compliance and waste management decreased slightly. We can only speculate as to why investments in socially responsible policies and programs are not mirrored by improved outcomes.

- 1) Policy is notoriously slow to impact outcomes. For example, it takes many years for equal opportunity or affirmative action initiatives to show up in the workforce profile.
- 2) Well-intentioned policies are not always effective, either because they are too difficult to implement in practice or because circumstances change, rendering them obsolete.
- 3) Firms may simply imitate each others' initiatives or adopt off-the-shelf programs, without fully understanding their purpose.

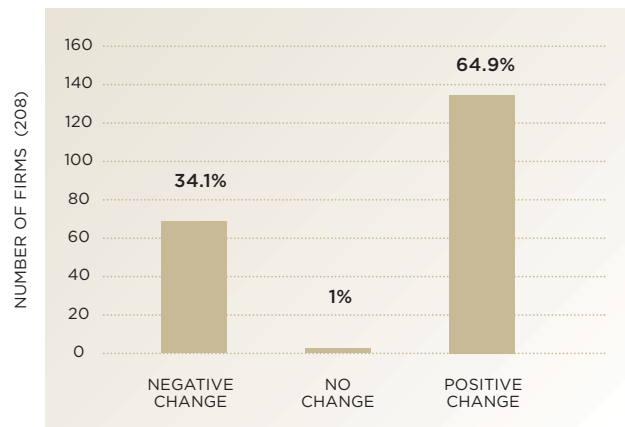
Nevertheless, trends in corporate social responsibility in Canada are encouraging. Firms are increasingly investing in CSR programs and establishing policies that support environmental and social performance. But there is much more to be done to realize the benefits of these initiatives.

## By CSR Category

Firms were generally more socially and environmentally responsible in 2007 than in 2006. The CSR score across all firms increased from 4.75 to 4.84. We were encouraged to find that the improvement in CSR was widespread—driven by many firms making positive changes, not just a few firms making large leaps. Specifically, 65% of firms improved their CSR score between 2006 and 2007 and only 1% made no change at all.

Figure 1

### CHANGE IN OVERALL CSR SCORE FROM 2006 to 2007 ACROSS ALL FIRMS



## SECTION 2

Most firms visibly improved their performance in community and society, corporate governance, employees, and environment. Firms improved their scores for their policies on employee giving and volunteerism, aboriginal relations, and bribery and corruption. We saw more codes of business conduct, greater board independence, and more frequent separation of the roles of Chairman of the Board and Chief Executive Officer.

Many companies invested in the ongoing education and development of their employees. Workforce diversity has appeared on the agenda of many firms in the form of policies and programs. However, firms still need to show real improvements in the number of women, visible minorities, and other traditionally disadvantaged groups that they hire, train, and promote.

Just over 40% of firms improved their environment score, typically by introducing or improving management systems and policies designed to reduce the negative environmental impact of their operations. However, these improvements were often offset by declining environmental performance such as lower regulatory compliance and higher negative impacts of products and services. In the future, firms will need to demonstrate that their initiatives are having positive outcomes for the environment and are not negatively contributing to climate change.

Markedly few firms improved their performance in the areas of customers and human rights; most maintained the same score from 2006 to 2007. That said, maintaining the status quo also implies that firms have not gone backwards in marketing harmful products or participating in controversial business practices, such as price fixing, antitrust violations, or consumer fraud.

SECTION 2

Human rights are a source of substantial concern for firms operating in international markets. A poor record can quickly and irrevocably damage a company's reputation. Firms that pay attention to their human rights record vigilantly monitor potential problems and have credible procedures for checking that suppliers and subcontractors are not engaged in unfair or abusive labour practices.

**Table 2**

**PERCENTAGE OF FIRMS THAT EXPERIENCED NEGATIVE, POSITIVE, AND NO CHANGE IN SCORES FROM 2006 TO 2007 BY CATEGORY**

Category	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Overall CSR	208	34.1	1	64.9
Community and Society	208	18.3	35.1	46.6
Corporate Governance	208	38	4.8	57.2
Customers	162	13	73.5	13.5
Employees	208	30.8	12	57.2
Environment	208	27.4	32.2	40.4
Human Rights	131	14.5	71	14.5



## By Industry

At the industry level, we have seen positive change in key sectors such as banking and oil and gas. However, the retail, telecommunications, and insurance industries appear to be lagging. A common argument is that it is difficult for 'white collar' industries to implement CSR because they can do little to improve their environmental impact, compared to natural resource companies or primary producers. But our results show that the banks, for example, have been able to have an impact, by increasing the number of women among their senior managers and on their corporate boards, as well as improving their diversity programs.

## SECTION 3

**Table 3****PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED NEGATIVE, POSITIVE, AND NO CHANGE IN OVERALL CSR SCORES FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Banks	8	0	0	100
Diversified Financials	8	87.5	0	12.5
Diversified Metals & Mining	12	25	0	75
Energy Equipment & Services	9	22.2	0	77.8
Food & Drug Retailing	6	66.7	0	33.3
Gold & Precious Metals	18	33.3	5.6	61.1
Insurance	7	71.4	0	28.6
Machinery	5	20	0	80
Media	7	28.6	0	71.4
Oil & Gas Exploration & Production	29	3.4	0	96.6
Paper & Forest Products	8	50	0	50
Pharmaceuticals & Biotechnology	6	33.3	0	66.7
Real Estate	13	30.8	0	69.2
Retailing	5	20	0	80
Technology Hardware & Equipment	7	28.6	0	71.4
Telecommunication Services	5	80	0	20
Transportation	5	40	0	60
Utilities	6	66.7	0	33.3
Other industries*	44	38.6	2.3	59.1
All firms	208	34.1	1	64.9

\*Industries with fewer than 5 firms: auto components, building products, chemicals, coal & consumable fuels, commercial services & supplies, construction & engineering, construction materials, containers & packaging, electrical equipment, environmental services, food beverage & tobacco, health care providers & services, hotels restaurants & leisure, household durables, integrated oil & gas, oil & gas storage and transportation, software & services, steel, textile apparel & luxury goods.

## COMMUNITY AND SOCIETY

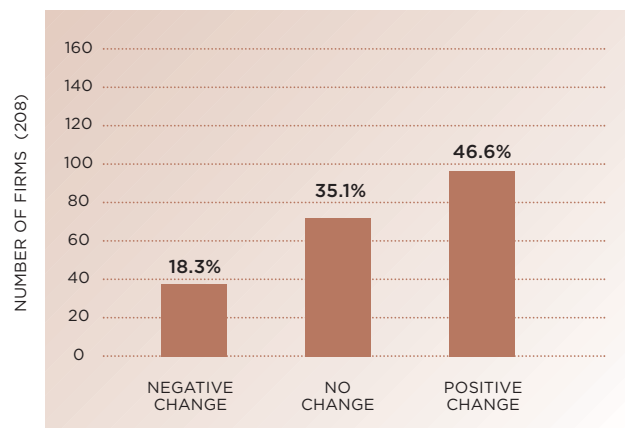
## KEY POINTS

- While almost half of the number of firms are improving their contributions to community and society, close to a fifth showed a decrease
- The primary sector is the largest driver of this general improvement including the energy equipment & services, oil & gas, machinery, and diversified metals & mining sectors

Canadians expect firms to earn their license to operate. A key part of this exchange is the relationship that firms have with the communities in which they operate. Almost half the companies evaluated have improved their interactions with their local community and wider society. This general improvement is largely driven by the primary sector (e.g., energy, mining, and oil and gas). This is an encouraging finding because many firms in these industries operate in remote areas where they have a significant impact on the social and economic fabric of the local community.

Figure 2

## CHANGE IN COMMUNITY AND SOCIETY SCORE FROM 2006 TO 2007 ACROSS ALL FIRMS



## SECTION 3

**Table 4****PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED NEGATIVE, POSITIVE, AND NO CHANGE IN COMMUNITY AND SOCIETY SCORES FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Banks	8	12.5	37.5	50
Diversified Financials	8	0	50	50
Diversified Metals & Mining	12	41.7	0	58.3
Energy Equipment & Services	9	0	11.1	88.9
Food & Drug Retailing	6	33.3	67.7	0
Gold & Precious Metals	18	27.8	22.2	50
Insurance	7	14.3	71.4	14.3
Machinery	5	0	40	60
Media	7	42.9	28.6	28.6
Oil & Gas Exploration & Production	29	6.9	13.8	79.3
Paper & Forest Products	8	25	37.5	37.5
Pharmaceuticals & Biotechnology	6	33.3	50	16.7
Real Estate	13	15.4	53.8	30.8
Retailing	5	40	20	40
Technology Hardware & Equipment	7	28.6	57.1	14.3
Telecommunication Services	5	20	60	20
Transportation	5	0	60	40
Utilities	6	0	83.3	16.7
Other industries*	44	18.2	34.1	47.7
All firms	208	18.3	35.1	46.6

\*Industries with fewer than 5 firms: auto components, building products, chemicals, coal & consumable fuels, commercial services & supplies, construction & engineering, construction materials, containers & packaging, electrical equipment, environmental services, food beverage & tobacco, health care providers & services, hotels restaurants & leisure, household durables, integrated oil & gas, oil & gas storage and transportation, software & services, steel, textile apparel & luxury goods.

## SECTION 3

A closer look at average CSR scores reveals that there were important improvements in the following areas of community and society performance:

- programs to support employee giving and volunteerism
- aboriginal relations, including mechanisms of engagement and consultation
- impact on society
- policy statements on bribery and corruption.

Again, the primary sector is well-represented in the firms that scored highly in these areas and this is not surprising. For instance, mining companies are more likely to be exposed to aboriginal land claims, prompting them to improve their community engagement practices. Oil and gas producers may operate in less developed countries and thus be more conscious of the potential for bribery and corruption. The results showed that banks were also careful to implement policies and practices to guard against financial impropriety, perhaps reflecting how closely they are scrutinized.

### CORPORATE GOVERNANCE

#### KEY POINTS

- The majority of firms (57%) across all industries are scoring higher on corporate governance, while close to 40% had lower scores
- While many firms are improving their initiatives, several firms are seeing simultaneous decreases in outcomes
- This is especially visible in certain industries, such as oil and gas and gold & precious metals

Most firms improved their corporate governance scores, and this trend was evident across many industries. For instance, over 80% of firms in the oil and gas, pharmaceuticals, and biotechnology industries improved their score for this category between 2006 and 2007. However, our analysis revealed that much of the improvement in this category was driven by initiatives, rather than outcomes. In other words, many firms are not yet seeing positive results from their CSR policies and programs. In fact, in some cases, performance on outcomes actually declined.

This pattern was visible in the following industries: energy equipment and services, gold and precious metals, insurance, oil and gas exploration and production, technology hardware and equipment, and utilities. Many firms in these industries have made public statements of their commitment to social responsibility, established codes of business conduct, taken steps to guarantee board independence, and separated the roles of Chairman of the Board and Chief Executive Officer. However, these statements may be viewed as hollow, given the ground that these industries lost on measurable outcomes, such as share structure, executive compensation, termination agreements, stock option plan dilution, and governance controversies.

**Figure 3**

**CHANGE IN CORPORATE GOVERNANCE SCORE FROM 2006 TO 2007 ACROSS ALL FIRMS**

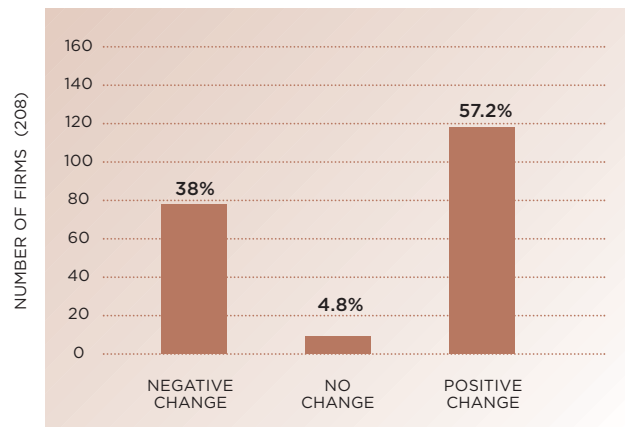


Table 5

**PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED  
NEGATIVE, POSITIVE, AND NO CHANGE IN CORPORATE  
GOVERNANCE SCORES FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Banks	8	25	0	75
Diversified Financials	8	62.5	0	37.5
Diversified Metals & Mining	12	58.3	8.3	33.3
Energy Equipment & Services	9	22.2	0	77.8
Food & Drug Retailing	6	83.3	0	16.7
Gold & Precious Metals	18	27.8	5.6	66.7
Insurance	7	57.1	14.3	28.6
Machinery	5	60	0	40
Media	7	28.6	0	71.4
Oil & Gas Exploration & Production	29	10.3	0	89.7
Paper & Forest Products	8	37.5	25	37.5
Pharmaceuticals & Biotechnology	6	0	16.7	83.3
Real Estate	13	23.1	0	76.9
Retailing	5	40	0	60
Technology Hardware & Equipment	7	42.9	0	57.1
Telecommunication Services	5	80	20	0
Transportation	5	40	0	60
Utilities	6	50	16.7	33.3
Other industries*	44	47.7	4.6	47.7
208	38	4.8	57.2	

\*Industries with fewer than 5 firms: auto components, building products, chemicals, coal & consumable fuels, commercial services & supplies, construction & engineering, construction materials, containers & packaging, electrical equipment, environmental services, food beverage & tobacco, health care providers & services, hotels restaurants & leisure, household durables, integrated oil & gas, oil & gas storage and transportation, software & services, steel, textile apparel & luxury goods.

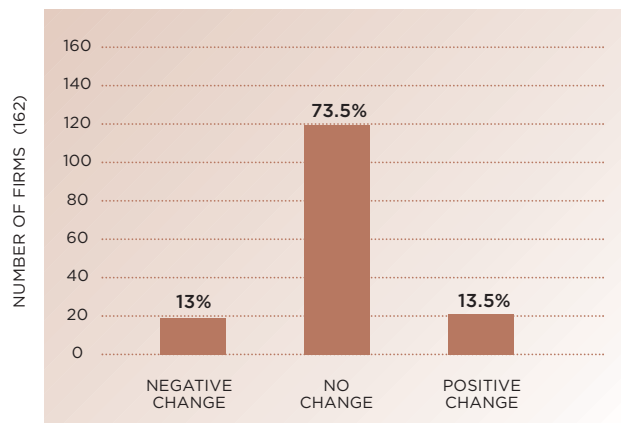
## CUSTOMERS

## KEY POINTS

- The large majority of firms had unchanged ratings in this area
- The average customer score across all firms also remained unchanged

There was very little change in scores for the customer category of CSR, in any industry.<sup>2</sup> Indicators of customer responsibility capture the safety of products and services, the treatment of customers, as well as controversial marketing and business practices. Overall, only 13.5% of firms improved their performance; 73.5% maintained the same score for 2006 and 2007. There may be several reasons for this trend. First, firms may be directing their attention (and limited resources) to other aspects of CSR. Second, product safety and customer relationships may be viewed as operational, technical, and as marketing issues, but not as part of the CSR portfolio. Finally, the result may be influenced by the high performance of some firms, which is offset by the low performance of others. The net aggregate effect netted to zero. For example, five of the eight banks evaluated had improved their customer score, but their gains were partially offset by the three banks whose performance had declined.

Figure 4

CHANGE IN CUSTOMER SCORE FROM 2006 TO 2007  
ACROSS ALL FIRMS

<sup>2</sup> Note that only 162 of 208 companies were evaluated in this category because Jantzi Research excludes industries that do not sell directly to customers (e.g., primary sector).

## SECTION 3

**Table 6****PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED NEGATIVE, POSITIVE, AND NO CHANGE IN CUSTOMER SCORES FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Banks	8	37.5	0	62.5
Diversified Financials	8	12.5	87.5	0
Diversified Metals & Mining	11	9.1	90.9	0
Energy Equipment & Services	9	0	22.2	77.8
Food & Drug Retailing	6	16.7	33.3	50
Insurance	7	85.7	0	14.3
Machinery	5	0	100	0
Media	7	0	100	0
Paper & Forest Products	8	12.5	87.5	0
Pharmaceuticals & Biotechnology	6	0	100	0
Real Estate	13	0	100	0
Retailing	5	20	40	40
Technology Hardware & Equipment	7	0	100	0
Telecommunication Services	5	0	100	0
Transportation	5	60	40	0
Utilities	6	0	100	0
Other industries*	46	8.7	82.6	8.7
All Firms	162	13	73.5	13.5

\*Industries with fewer than 5 firms: auto components, building products, chemicals, coal & consumable fuels, commercial services & supplies, construction & engineering, construction materials, containers & packaging, electrical equipment, environmental services, food beverage & tobacco, health care providers & services, hotels restaurants & leisure, household durables, integrated oil & gas, oil&gas exploration and production, oil & gas storage and transportation, software & services, steel, textile apparel & luxury goods.

## EMPLOYEES

### KEY POINTS

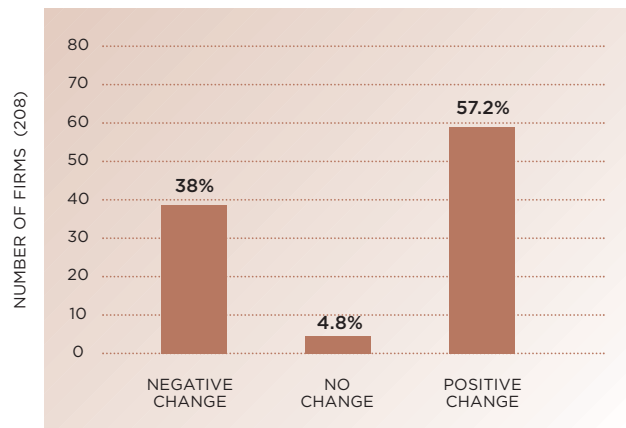
- Employee ratings have generally increased
- Firms, on average, are placing more emphasis on employee initiatives
- Several initiatives were driven by a small number of firms making large strides

In the aggregate, Canadian firms improved their performance in the employee category of CSR from 2006 to 2007. Indicators of employee responsibility include diversity management and systems, work-life balance, health and safety, as well as union relations. A closer analysis of the data reveals that while most firms improved their overall score, a relatively small number of companies made great strides in specific underlying indicators. For instance, 83% of the 208 firms evaluated did not improve their employee education and development activities. However, those 26 firms that did increase their scores made such huge improvements that they influenced the overall trend. We saw the same pattern for the work-life balance indicator – a few high performing firms are driving the positive results. Similarly, 36 firms, representing a wide range of industries, improved their score for their employee ownership programs; 11 firms drove the overall positive trend in the managerial structure and responsibility indicator; and the activities of 9 firms lifted the overall score for public reporting on diversity issues. These high-performing firms are not concentrated in one sector of the economy, but represent almost all industries.

Perhaps firms find it easier (and potentially more financially rewarding) to direct their CSR efforts inwards, to their own employees, than to broader societal issues such as human rights or the environment.

Figure 5

CHANGE IN EMPLOYEE SCORE FROM 2006 TO 2007  
ACROSS ALL FIRMS



## SECTION 3

Table 7

**PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED  
NEGATIVE, POSITIVE, AND NO CHANGE IN EMPLOYEE SCORES  
FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Banks	8	37.5	0	62.5
Diversified Financials	8	50	25	25
Diversified Metals & Mining	12	16.7	8.3	75
Energy Equipment & Services	9	11.1	0	88.9
Food & Drug Retailing	6	50	16.7	33.3
Gold & Precious Metals	18	33.3	11.1	55.6
Insurance	7	42.9	0	57.1
Machinery	5	40	0	60
Media	7	42.9	0	57.1
Oil & Gas Exploration & Production	29	31	6.9	62.1
Paper & Forest Products	8	25	12.5	62.5
Pharmaceuticals & Biotechnology	6	50	0	50
Real Estate	13	15.4	23.1	61.5
Retailing	5	40	0	60
Technology Hardware & Equipment	7	14.3	28.6	57.1
Telecommunication Services	5	40	0	60
Transportation	5	20	20	60
Utilities	6	0	66.7	33.3
Other industries*	44	34.1	13.6	52.3
All firms	208	30.8	12	57.2

\*Industries with fewer than 5 firms: auto components, building products, chemicals, coal & consumable fuels, commercial services & supplies, construction & engineering, construction materials, containers & packaging, electrical equipment, environmental services, food beverage & tobacco, health care providers & services, hotels restaurants & leisure, household durables, integrated oil & gas, oil & gas storage and transportation, software & services, steel, textile apparel & luxury goods.

## NATURAL ENVIRONMENT

### KEY POINTS

- On average, firms showed little improvement in this category
- Improvements in environmental initiatives were off-set by decreasing scores on the outcome side
- This trend was largely driven by industries in the primary sector

There was a marginal increase in the overall score for the natural environment category of CSR. Just over 40% of firms improved their performance, 27% went backwards, and 32% of firms maintained the same score between 2006 and 2007.

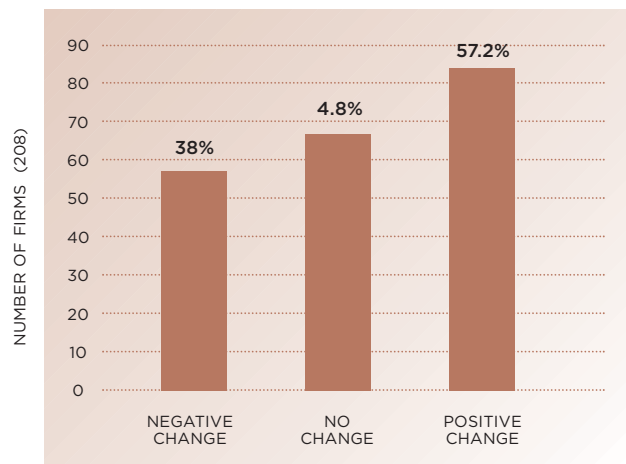
The majority of firms in the banking, and gold and precious metals industries performed worse on their environmental score in 2007 than they did in 2006. However, if we look at the average scores of all firms in these industries, the gold and precious metals industry actually increased, indicating that a few firms in this group made large strides and drove up the average industry score.

Other industries that rated poorly in terms of environmental initiatives and outcomes were chemicals, and energy, equipment, and services. Some sectors improved their natural environment scores (e.g., oil and gas, paper and forest products), however, the data show that this result was mainly driven by policy intentions and program initiatives, not measurable outcomes. For example, although firms improved their environmental management systems, their regulatory compliance worsened. There were more instances of environmental penalties and convictions and more incidents of non-compliance. This evidence shows that macro overall and average scores cannot tell the whole story.

It will be interesting to monitor this category of CSR over time, as Canadian companies face increasing pressure to respond to public concerns about pollution, environmental degradation, and climate change.

**Figure 6**

**CHANGE IN ENVIRONMENT SCORE FROM 2006 TO 2007 ACROSS ALL FIRMS**



## SECTION 3

**Table 8****PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED NEGATIVE, POSITIVE, AND NO CHANGE IN ENVIRONMENT SCORES FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Banks	8	50	0	50
Diversified Financials	8	12.5	75	12.5
Diversified Metals & Mining	12	50	0	50
Energy Equipment & Services	9	33.3	11.1	55.6
Food & Drug Retailing	6	33.3	50	16.7
Gold & Precious Metals	18	55.6	11.1	33.3
Insurance	7	0	85.7	14.3
Machinery	5	20	60	20
Media	7	0	71.4	28.6
Oil & Gas Exploration & Production	29	13.8	34.5	51.7
Paper & Forest Products	8	37.5	12.5	50
Pharmaceuticals & Biotechnology	6	50	33.3	16.7
Real Estate	13	23.1	38.5	38.5
Retailing	5	40	20	40
Technology Hardware & Equipment	7	0	42.9	57.1
Telecommunication Services	5	20	20	60
Transportation	5	40	0	60
Utilities	6	33.3	50	16.7
Other industries	44	22.7	34.1	43.2
All firms	208	27.4	32.2	40.4

\*Industries with fewer than 5 firms: auto components, building products, chemicals, coal & consumable fuels, commercial services & supplies, construction & engineering, construction materials, containers & packaging, electrical equipment, environmental services, food beverage & tobacco, health care providers & services, hotels restaurants & leisure, household durables, integrated oil & gas, oil & gas storage and transportation, software & services, steel, textile apparel & luxury goods.

## HUMAN RIGHTS

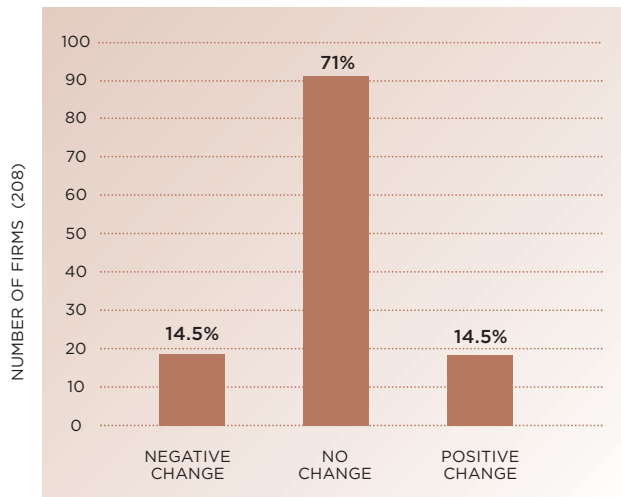
### KEY POINTS

- On average, over all firms, this category did not change much
- The only industries that improved on average were oil and gas and forestry
- Most firms did not individually experience any change in their HR score

Performance in the human rights category of CSR has been remarkably stable. 71% of firms maintained the same score from 2006 to 2007.<sup>3</sup> No industry stands out as a particularly strong or poor performer, though average scores did improve in the oil and gas and forestry industries. Human rights scores are assessed by looking at management systems, public reporting and impacts. To improve their scores, firms need to develop human rights policies and codes of conduct while paying attention to working conditions along their supply chains. Those firms with operations in developing countries are more likely to be scrutinized and also stand to make the largest improvements in this category.

Figure 7

### CHANGE IN HUMAN RIGHTS SCORE FROM 2006 TO 2007 ACROSS ALL FIRMS



<sup>3</sup> Note that only 131 of 208 companies were evaluated in this category because Jantzi excludes industries that are not directly exposed to human rights issues (e.g., banks).

## SECTION 3

**Table 9****PERCENTAGE OF FIRMS BY INDUSTRY THAT EXPERIENCED NEGATIVE, POSITIVE, AND NO CHANGE IN HUMAN RIGHTS SCORES FROM 2006 TO 2007**

Industry	Number of Companies	Percentage with Negative Change	Percentage with no Change	Percentage with Positive Change
Diversified Financials	8	37.5	62.5	0
Diversified Metals & Mining	11	27.3	72.7	0
Energy Equipment & Services	9	55.6	22.2	22.2
Food & Drug Retailing	6	0	83.3	16.7
Gold & Precious Metals	18	27.8	66.7	5.6
Machinery	5	0	100	0
Oil & Gas Exploration & Production	28	0	89.3	10.7
Paper & Forest Products	8	0	50	50
Retailing	5	0	60	40
Technology Hardware & Equipment	7	0	71.4	28.6
Transportation	5	0	80	20
Other industries*	21	14.3	71.4	14.3
All firms	131	14.5	71	14.5

\*Industries with fewer than 5 firms: auto components, building products, coal & consumable fuels, commercial services & supplies, construction & engineering, containers & packaging, household durables, integrated oil & gas, oil & gas storage and transportation, textile apparel & luxury goods.

## Why Measure Corporate Social Responsibility?

Canadians increasingly expect firms to look beyond shareholder return and consider the needs of all their stakeholders, including their employees, community neighbours, and customers. Jantzi Research measures how well Canadian business is meeting these expectations by evaluating a sample of firms listed on the S&P/TSX Composite Index. Jantzi Research has identified over 100 indicators that represent six areas of corporate environmental and social performance and governance: community and society, corporate governance, customers, employees, the natural environment, and human rights. Jantzi Research assesses a company's program and policy initiatives in these areas by reviewing policies, management systems, and programs; and also evaluates the outcomes of those initiatives by measuring data that represent impacts on the various stakeholders. Scores for each of these six categories add up to the company's overall corporate social responsibility (CSR) score.

As socially responsible investing (SRI) becomes increasingly popular, individual and institutional investors are looking for tools that help them evaluate a firm's social, governance, and environmental performance. Jantzi's CSR ratings complement traditional measures of performance, such as profitability and market share, to help investors decide if a company is doing "good" in addition to doing well.

## About this Report

This report is the result of collaboration between the Richard Ivey School of Business (Ivey) and Jantzi Research. The objective is to examine the social responsibility of Canadian firms. Ivey's Centre for Building Sustainable Value generates and shares knowledge between academic and practitioner communities to assist organizations in simultaneously managing private and public interests. Jantzi Research is an independent investment research firm located in Toronto, Ontario. It offers a full range of innovative socially responsible investment products, services, and research tools, including the Canadian Social Investment Database (CSID).

This report highlights macro trends across and within industries in Canada. It is not intended to reward responsible firms or rebuke irresponsible firms. It is intended to help firms understand overarching trends in order to inform their own policies and initiatives.

We use the S&P/TSX Composite Index as a reasonable representation of the Canadian economy as a whole. The Index comprises approximately 290 publicly traded Canadian firms of varying size, industry, and economic success. Jantzi evaluated a subset of these firms to provide the data for this report. The methods section of this report offers a guide to the research principles of Jantzi Research.

This is the first edition of an annual Ivey-Jantzi CSR Report. Over time, the report will include historic data to develop a picture of long-term CSR trends in Canada.

## Research Methods

Jantzi Research publishes rating and ranking results for individual publicly-traded companies on an ongoing basis. Firms are scored on over 100 proprietary indicators in the areas of community and society, corporate governance, customers, employees, the natural environment, and human rights. The scoring scheme is based on best practices and varies by industry to reflect the exposure of the industry to various environmental, social, and governance (ESG) issues. The scores are weighted to reflect the importance of each indicator for a company's industry. Weighted scores are aggregated over four levels from the most detailed up, over the six broader categories, all the way up to the overall CSR score.

Jantzi research assigns its scores based on data drawn from a number of sources including the media, company reports, questionnaires, stakeholder organizations, and government sources. Poor ESG disclosure often has a negative impact on ESG scores.

Direct comparisons are most valid within specific industries since companies in a grouping are assessed based on the same weighted scoring scheme. Comparisons across industries and across indicators should be made cautiously. Jantzi Research also assigns letter grades (for example, A- or C+) to companies by industry. However, CSR trends are not possible to identify with this macro data.

When the data were received for analysis, Jantzi Research had not evaluated all companies listed on the TSX composite index for 2006-2007. The Ivey research team only included those firms in the analysis that had been evaluated by Jantzi in both years. This allowed for direct comparisons between the same firms (208) in both 2006 and 2007.

CROSS-ENTERPRISE LEADERS

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