



Canadian Business for Social Responsibility

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May 15, 2014

ATTN: Director General
Marketplace Framework Policy Branch
Industry Canada
235 Queen Street, 10th Floor
Ottawa, Ontario
K1A 0H5

Re: Industry Canada's CBCA Consultation

Director General,

Please find my submission to this consultation below.

Best regards,

Steven Fish
Executive Director
Canadian Business for Social Responsibility



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Submission to Industry Canada Canada Business Corporations Act Consultation

Introduction

Industry Canada's [discussion paper](#) on the Canada Business Corporations Act (CBCA) consultation invites stakeholders to submit comments as to whether additional measures to promote CSR objectives are warranted in the CBCA. This submission responds to this request.

CBSR's Background

Founded in 1995, Canadian Business for Social Responsibility (CBSR) is a non-profit member organization with a mission to accelerate and scale corporate social and environmental sustainability in Canada and challenge the "business as usual" model. We believe companies are ready for this challenge and many are actively rethinking their business models to create long-term shareholder and societal value.

Globally-recognized as one of the foremost organizations dedicated to influencing and advancing corporate citizenship in Canada, CBSR has amassed a rich history of experience, knowledge and credibility. In our 19 years of existence, we've helped hundreds of Canadian businesses advance their CSR efforts; convened numerous events across Canada including CBSR's signature event Annual Summit; and developed leading research and reports on a wide variety of topics including climate change mitigation, CSR governance, aboriginal engagement, water management, and many more.

Governments increasingly requiring mandatory CSR reporting

More and more governments are requiring mandatory CSR performance disclosure, as found by this international 2013 [inventory](#) of CSR reporting regulations. For example, [S. 417 of the UK Companies Act](#) stipulates that large public companies must report information about environmental matters, the company's employees and social and community issues to the extent necessary for an understanding of the development, performance or position of the company's business. In 2013 the European Commission adopted a [proposal for a directive to make non-financial reporting mandatory for all European Union companies](#) employing more than 500 employees. Companies concerned will need to disclose information on policies, risks and results as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity on the boards of directors.

There is a Canadian precedent for CSR reporting in the Bank Act requirement that large financial institutions publish [Public Accountability Statements](#). Banks are meeting this requirement through publication of CSR reports.



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CSR reporting guidelines exist

Guidance exists for CSR reporting, the most popular of which is the [Global Reporting Initiative](#). Most companies follow these global standards when reporting.

CSR oriented companies create shareholder value

There is a considerable and growing body of scientific research which reveals that companies which pursue CSR improve shareholder value, for example this Harvard Business School [study](#) which provides evidence that High Sustainability companies significantly outperform their counterparts over the long-term, both in terms of stock market as well as accounting performance.

Investors need CSR information

Increasingly investor shareholders are seeking data on the social and environmental performance of corporations to inform investment decisions as CSR reports help investors make better judgments about a companies' performance. To date asset managers representing over \$34 trillion of assets, or 15% of the world's investable assets have signed on to the UN-backed [Principles for Responsible Investment](#), committing to consider CSR/ESG (environmental, social and governance) factors in their investment decisions. Investment research and advisory service providers are increasingly seeking ESG disclosure from Canadian corporations to overcome a key hurdle in evaluating the material impacts of environmental, social and governance risks to shareholder value.

Third party verified disclosures increase quality and credibility

Since the first third-party assured reports of the late 1990s, [third party verification of CSR reports](#) has grown globally, driven by a desire to enhance report quality and credibility – and thus usefulness for decision-makers. However, North America has a low rate of independent assurance of CSR reports compared to other regions, according to this recent global [study](#). There are global guidelines for third party CSR reporting, the most popular of which is [ISAE 3000](#), developed for the use of financial auditors when assuring non-financial information. With investors, employees, customers, suppliers, communities, regulators, media, boards and other company stakeholders increasingly relying on corporate CSR claims, there will be a need for independent verification of corporate CSR disclosures. Non-verified disclosures could otherwise result in the misallocation of resources and poor decision-making.



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Report or explain approach

While in spite of the foregoing arguments some might still argue that CSR reporting should remain voluntary, a recent [Accenture-UN Report](#) of 1,000 CEOs reveals that “83% believe that government policymaking and regulation will be critical in harnessing sustainability as a transformative force”, and that 55% seek regulation and standards and only 21% of CEOs prefer voluntary measures. Further, the “report or explain” method proposed below leaves CSR reporting as a voluntary option.

Recommendation

Based on the foregoing rationale, I recommend that Industry Canada amend the CBCA to require large companies over 500 employees to disclose and assure their CSR performance information and data using a report or explain approach.

I further recommend that these companies report on the age, gender and ethnic diversity of their Boards and management teams and their approach to managing diversity in the organization.

My final recommendation is that companies be required to report on the board's consideration of the company's CSR risks.