

PRICEWATERHOUSECOOPERS 

Sustainability and The Natural Resource Sector: Doing the Right Things

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Director

Global Sustainability Solutions

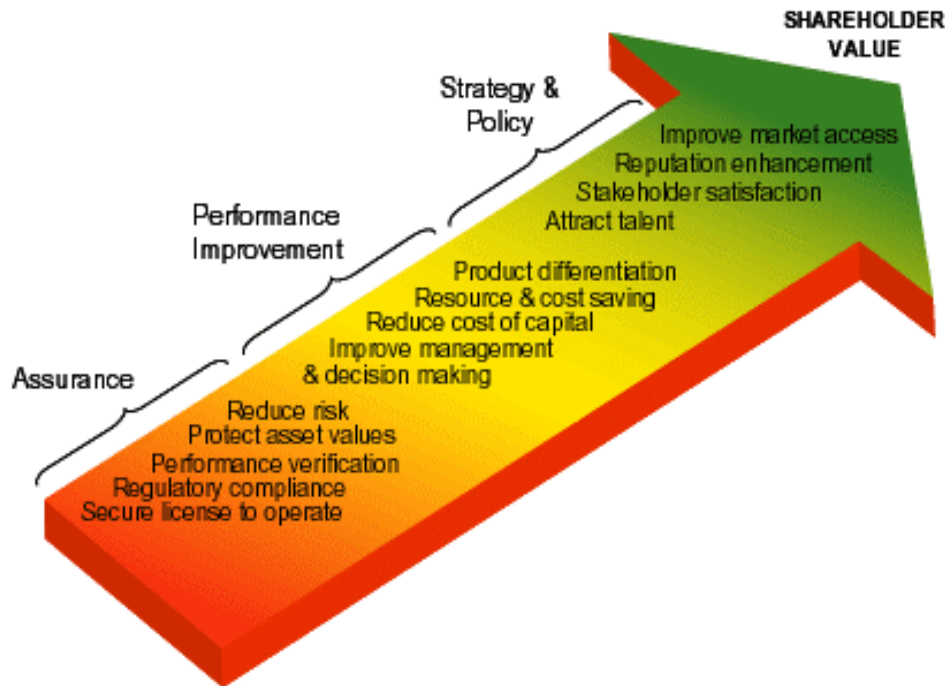


Outline of Presentation



- ❖ The Sustainable Business and ISO Systems
- ❖ Sustainability Reporting and Assurance
- ❖ Case Studies

Sustainability Business Drivers



“DuPont is a science company that is focused on sustainable growth - creating shareholder and societal value while decreasing our environmental footprint.”

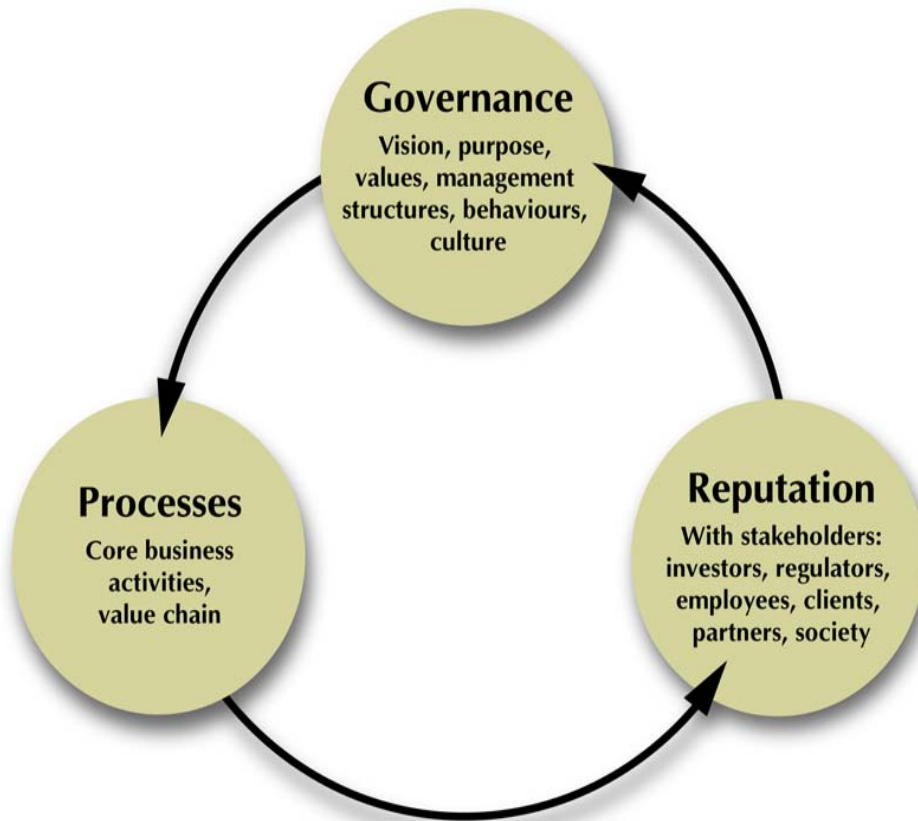
**Charles Holliday, Jr
CEO DuPont**

Sustainability tradeoffs no longer acceptable –now an opportunity not a liability.

Sustainability moving up the corporate hierarchy:

- ❖ Operations - compliance and prevention
- ❖ Management - performance improvement
- ❖ Executive/Board - strategy & policy

The Sustainable Business



Differentiators:

- ❖ Sustainability principles in strategic orientation
- ❖ Different values – which they live
- ❖ Broader measures of value and success
- ❖ Serving a wider range of stakeholders

Corporate Governance & Strategy



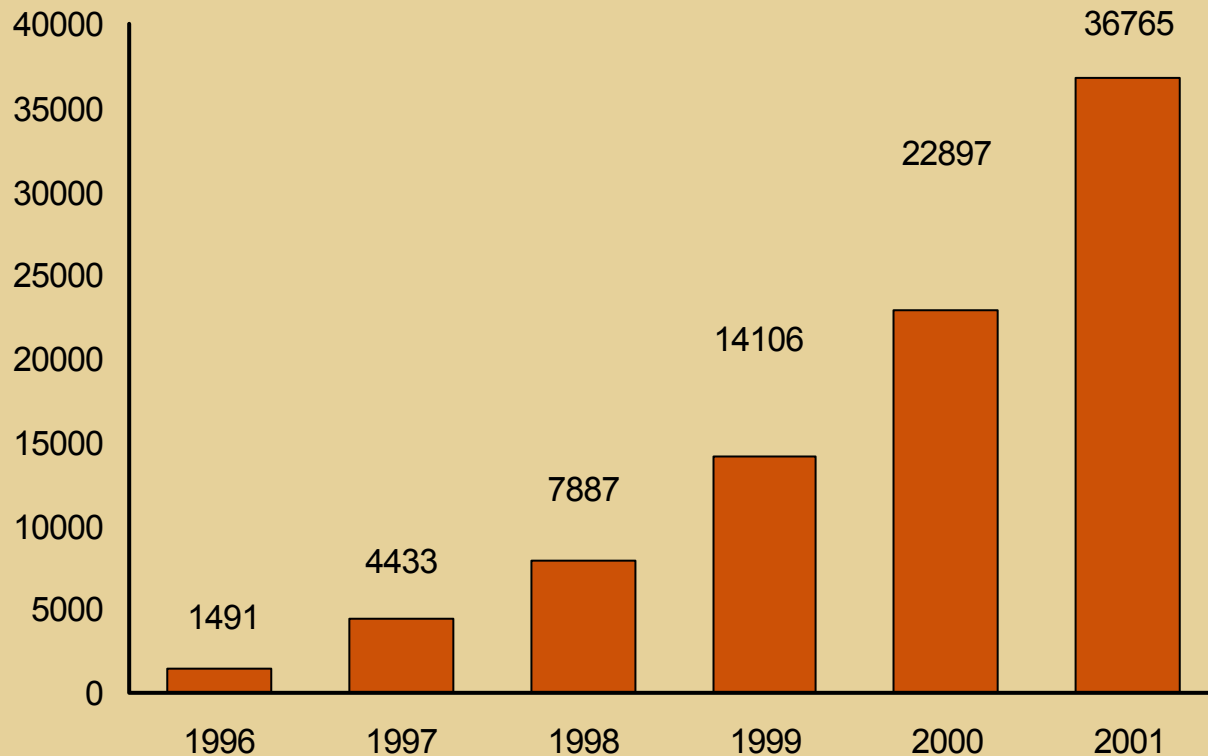
- ❖ Foundation for a sustainable business – sets overall organizational tone.
- ❖ Defines the means by which Executive and Board execute and control sustainability strategy, vision, mission, etc.
- ❖ Sustainability strategies highly industry/product specific, influenced by:
 - ❖ stakeholder opinions
 - ❖ product life cycle
 - ❖ value chain
 - ❖ shareholder value models.

ISO 14000 – The Benefits



- ❖ Improve operational effectiveness and efficiency
- ❖ Creation of systematic process for establishing and achieving performance objectives
- ❖ Measuring and monitoring success of policies and programs
- ❖ Embedding principle of continuous improvement
- ❖ Enhanced public image/leadership role

ISO 14001 Global Registrations



Global Growth

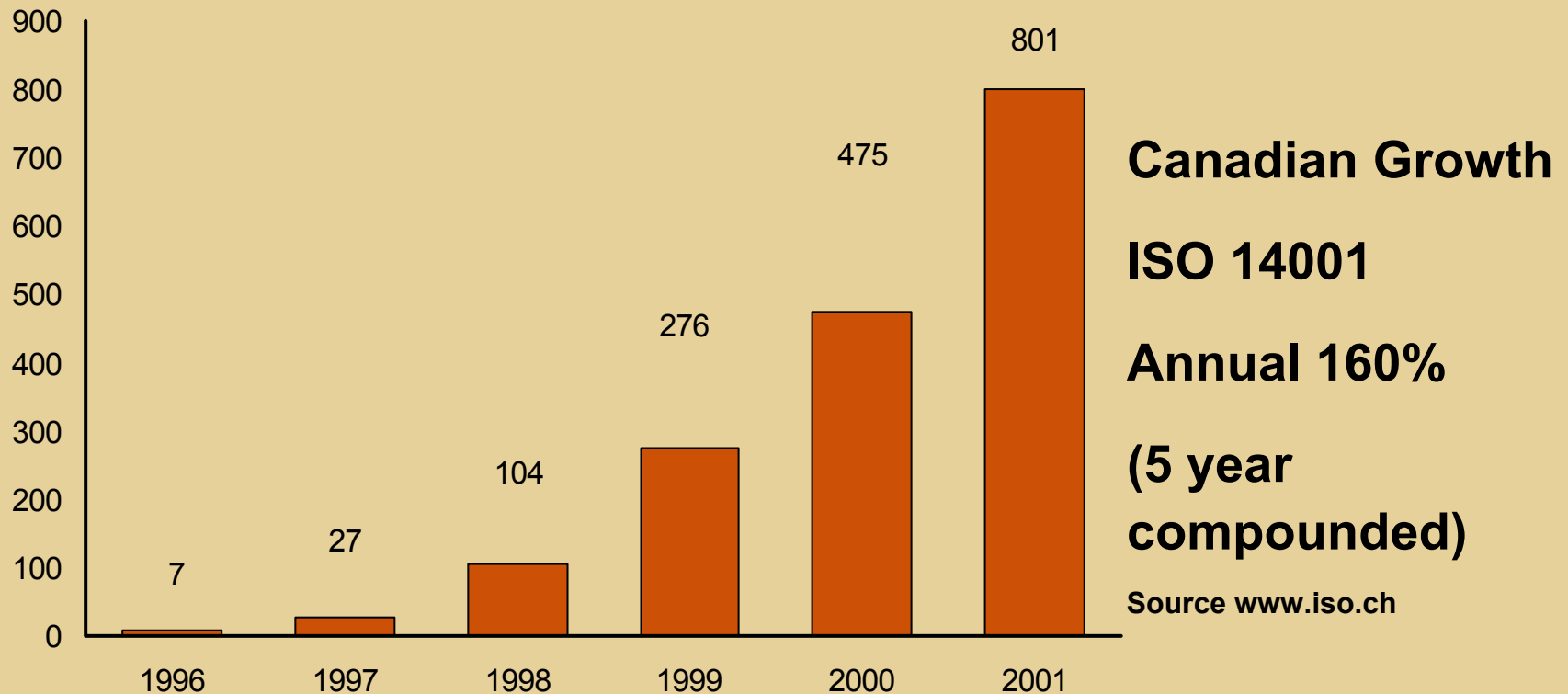
ISO 14001

Annual 91%

**(5 yr
compounded)**

Source www.iso.ch

ISO 14001 Canadian Registrations



ISO 14001 Registered Facilities



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What is Sustainability Reporting?



Sustainable development meets corporate social responsibility

Many companies have declared a commitment to sustainability. They are committed to running their operations in a way which is sustainable environmentally, socially, and economically.

Similarly, many companies have declared a commitment to be socially responsible. This means they will be open, honest, and transparent; they will measure their performance and report to stakeholders.

Merge the concepts = sustainability, TBL, 3E, 3P reporting

The Drivers



Financial Drivers

- ❖ Risk management tool, better investment target, enhances business value
- ❖ Strengthens stakeholder relationships, better strategic alliances

Ethical Drivers

- ❖ Companies should be accountable
- ❖ Stakeholders have a “right to know”

The Benefits



Enhances shareholder value

- ❖ Attract investment, protect markets, secure investor confidence, demonstrate risk management

Improves internal processes

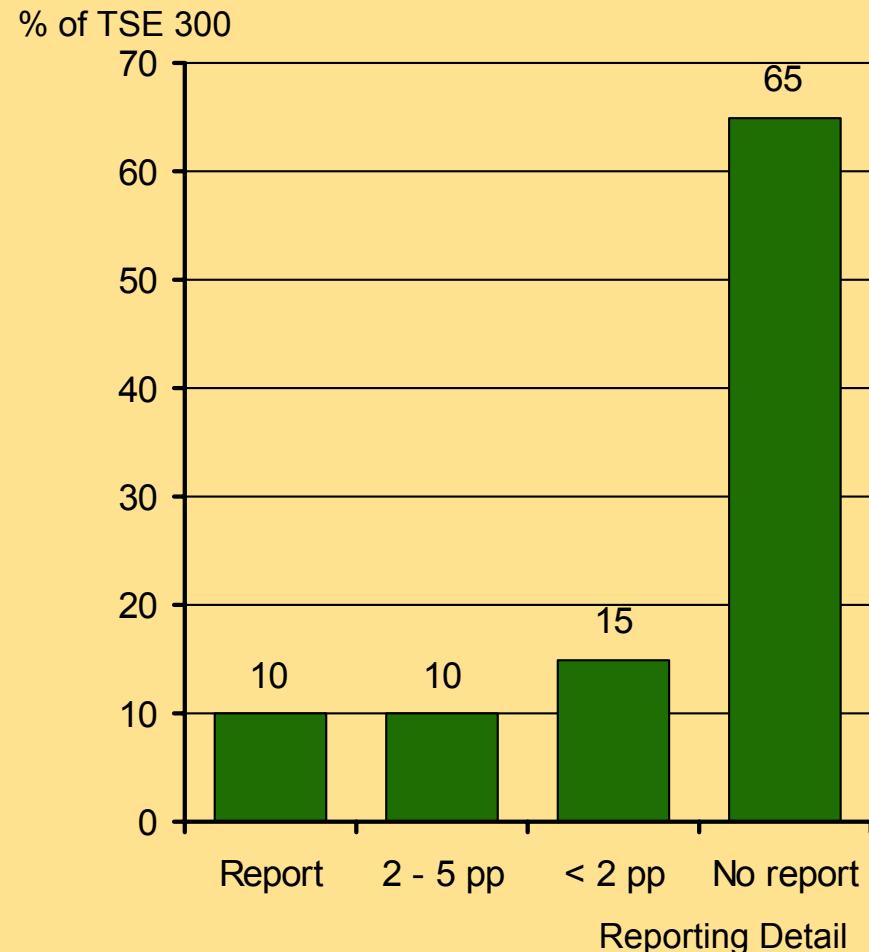
- ❖ Coherent corporate vision, strengthen management systems, communications, continuous improvement

Strengthens external relationships

- ❖ Information demands, accountability, social license to operate, stakeholder engagement and expectation management

Canadian CSR Data (2001)

TSE 300 Data (Stratos 2001)



Summary

- ❖ 10% published detailed CSR reports (29 reports)
- ❖ 25% published < 5 pp in annual reports
- ❖ 65% no CSR data
- ❖ Additional 28 reports for non-TSE 300 companies
- ❖ 20% of reporting companies were 2001 newbies

Corporate Reporting



- ❖ AA 1000 – Framework for Social & Ethical Accounting, Auditing and Reporting (1999)
- ❖ GRI Sustainability Reporting Guidelines (2000)
- ❖ GRI Sustainability Reporting Guidelines (July 2002)
- ❖ AA 1000S Sustainability Report Assurance Series (2002/2003)

External Non-Financial Assurance

What?

- ❖ Third party review and comment on the sustainability report.

Who?

- ❖ Variety of assurance providers, depending on the nature of the information being reported. Assurance providers include traditional accounting firms, consulting firms, academics, NGOs, advisory panels, and “celebrity” reviewers.

Why?

- ❖ The reader/stakeholder is provided with assurance that company’s performance or claims have been reviewed by an independent party. This enhances credibility of information.

Assurance types

Four main types of assurance provided by external groups.

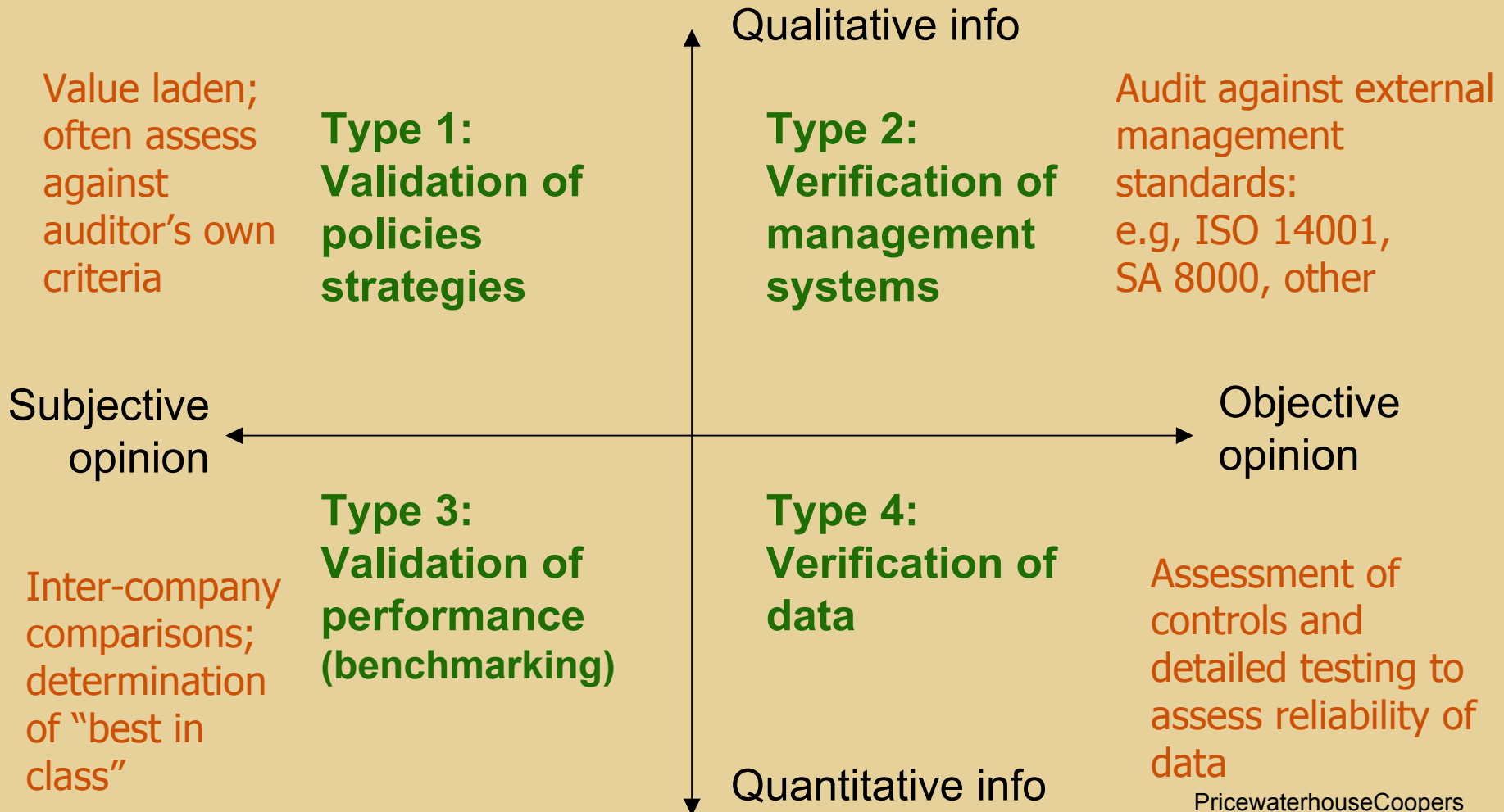
Type of assurance provided varies depending on:

- ❖ **Nature of information** being reported: qualitative vs quantitative
- ❖ **Nature of opinion** provided by auditor: subjective vs objective

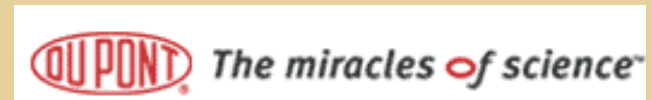
While the above factors affect the type of assurance provided, other factors will affect the nature of the assurance desired by the client, including nature of the assurance provider, target audience of report, and reasons for reporting.

The four types are not exclusionary, but are general types. Hybrids can, and do, exist.

Four Assurance Processes



Canadian Sustainability Reporters



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Case Studies from the Energy Sector



Suncor Energy
Talisman Energy
Shell Group

Suncor Energy Company Background

- ❖ Top tier integrated Canadian petroleum company
- ❖ 80 year history in Canada with operations in Alberta and Ontario
- ❖ High profile commitment to sustainability: issued SD reports since 1995
- ❖ Used external assurance providers in past for limited Type 2 assurance
- ❖ Wanted to use GRI as template

“...more progress is made on issues if we concentrate on dialogue rather than debate, and seek mutually beneficial solutions.”

Rick George

CEO Suncor Energy

Suncor Energy Engagement Background

Company wanted to have next report externally verified.

Reasons:

- ❖ to provide assurance to management on quality of information being reported
- ❖ to enhance credibility of report
- ❖ to maintain leadership position within sustainability community
- ❖ competitive advantage

“Sustainability is not a solitary pursuit. It is more effective if it is a collaborative effort.”

Rick George

CEO Suncor Energy

Suncor Energy Planning

Scope:

Type 4 assurance (data integrity)

Assignment covered all business units and corporate head office

Jointly decided we could not verify all sustainability indicators because of time/\$ constraints

Focus: key indicators:

- ❖ those of highest interest to internal and external stakeholders
- ❖ those with more “mature” measurement processes

Suncor Energy Verified Indicators

Environmental	Economic	Social
<ul style="list-style-type: none">• Greenhouse gases (absolute and intensity)• SO₂ (absolute and intensity)• Incidents• Regulatory compliance	<ul style="list-style-type: none">• Production• Earnings• Taxes and royalties• Capital and exploration expenditures• R&D expenditures	<ul style="list-style-type: none">• Workforce diversity• Employee turnover• Charitable and community contributions• H&S incidents

Suncor Energy Challenges

- ❖ No “handbook” for verifiers yet available
- ❖ Vague definitions for some indicators
- ❖ Different data management processes in each business unit; lack of consistency reduced efficiency in consolidation and verification of data
- ❖ Inconsistency of external standards/practice for some indicators, e.g., greenhouse gases
- ❖ Some data management processes still informal/ad hoc, especially for unregulated areas, e.g., social, GhG
- ❖ Determining materiality/acceptable margin of error

Suncor Energy Deliverables

- ❖ Summary assessments of each business unit
- ❖ Management Letter: assessment of controls across company, areas for improvement identified, recommendations given where appropriate
- ❖ Type 4 Assurance Statement:
“In our opinion, the statements and assertions indicated in this report and marked with the symbol ✓ are supported by appropriate underlying evidence and are fairly stated in all material respects.”
- ❖ Report annex, posted on company website with report, explaining assurance process

Talisman Energy

The Situation

- ❖ Large independent Canadian O&G producer: 1,200 employees
- ❖ Controversial Sudan operations
(partnership with CNPC, Petronas and Sudapet)
- ❖ Exploration and development blocks; 1,500 km underground pipeline; marine terminal in Sudan
- ❖ Sudan situation is complex
- ❖ Primary driver for CSR was NGO concerns with Sudan government using oil revenues to finance military activity

The Challenges in Sudan...



"The silence of powerful oil companies in the face of injustice and human rights violations cannot be seen as neutral."

**Amnesty International
Annual Report 2000**

And this....



*"Oil interests in the area
had exacerbated the
uprooting of people from
their homes."*

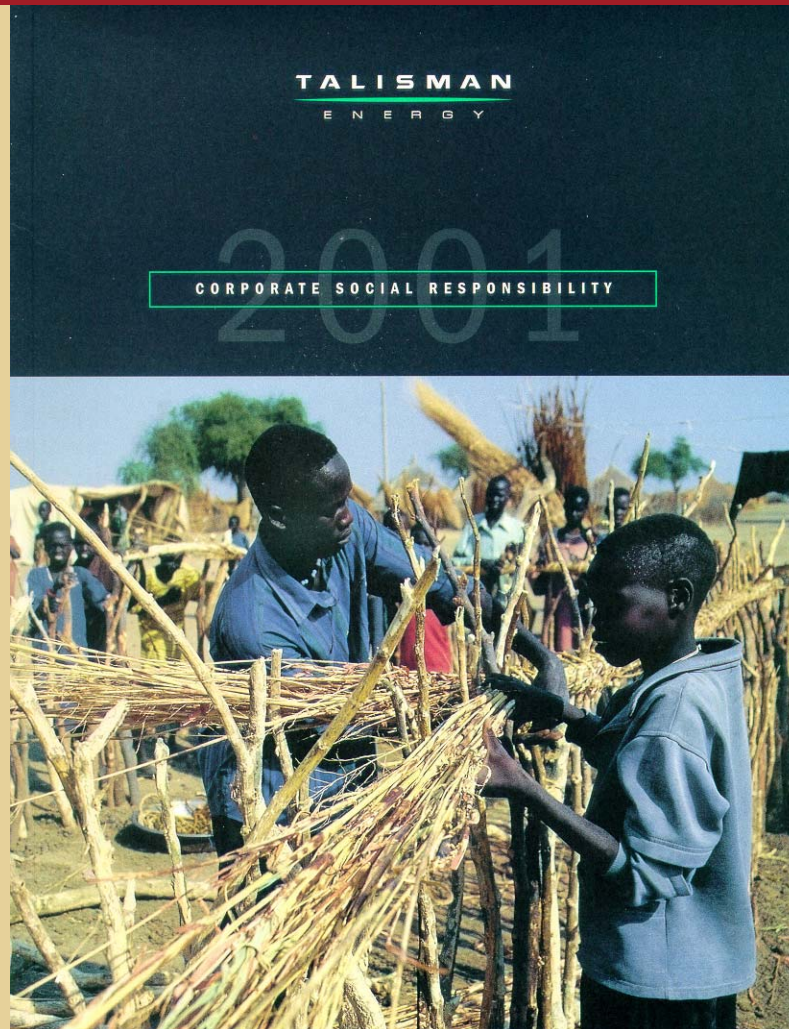
**Nicholas Siwingwa,
World Food Program
Deputy Country Director
February 2001**

Talisman Energy

The Response

- ❖ Established dedicated Corporate Social Responsibility group
- ❖ Talisman has adopted the International Code of Ethics for Canadian Business (ICECB) and the CSR group is responsible for translating the Code into specific Sudan Operating Principles
- ❖ Initiated stakeholder dialogue in Sudan and North America
- ❖ Included significant shareholders, government officials, NGOs and academics
- ❖ Sustainability report 3rd party assured

Corporate Social Responsibility Report (2001)



Talisman Energy

The Reaction

- ❖ Early in the process – limited but positive feedback to date
- ❖ National recognition in 2001 Stratos CSR reporting survey
 - ❖ Only one of Top 9 Canadian reports by a first-time reporter
 - ❖ Best Practice for relevant policy commitments, procedures, management systems and decision-making structure
 - ❖ Best Practice for trust, reliability and accessibility of information
 - ❖ Best Practice for rigorous and candid exposition of management approach, stakeholder relations, information on human rights and business ethics, and description of efforts to influence business partners and government policy

Talisman Energy

The Reaction (cont.)

From this:

“Talisman cannot judge the policies of legitimate governments, nor can it mandate the policies of its partners. Proper social responsibility lies in internal action and external advocacy.”

Comment card respondent, USA¹

To this:

“We believe these fancy reports are a waste of money and should only be sent to those who request them.”

Comment card respondent, USA¹

¹Talisman Energy Corporate Social Responsibility Report, 2001

Talisman Energy

The CEO's Reaction

“We have always believed that companies should operate in a manner that respects the right of local communities to benefit from their presence.

But we have come to understand and appreciate that we need to demonstrate how we put these beliefs into practice in a public and documented way.” (emphasis added)

Jim Buckee, CEO Talisman Energy Inc.
CSR Report 2000, Sudan Operations

Shell Group Background

- ❖ Early 1990s
 - ❖ Corporate re-engineering initiative
- ❖ 1995 Brent Spar
 - ❖ North Sea loading buoy
 - ❖ Davy Jones and Greenpeace
 - ❖ Uzis and gasoline
- ❖ 1995 Nigeria
 - ❖ Ogoni oil fields
 - ❖ Environmental and social damage
 - ❖ Gas flaring
 - ❖ Execution of Ken Saro-Wiwa, Ogoni leader

Shell Group Action Plan

- ❖ 1997 Adoption of Sustainability Principles
 - ❖ TINA (There is No Alternative)
- ❖ 1998 SustainAbility/John Elkington
 - ❖ Celebrity review (Type 1 assurance) of *Profits and Principles*
- ❖ 1999 Shell's SDMF and Shell Report/AD Little
 - ❖ Use of sustainability management system/benchmarking (Type 2 and 3 assurance)
- ❖ 2000 and 2001 Shell Reports
 - ❖ Verification of processes and systems and HSE report data
 - ❖ PricewaterhouseCoopers and KPMG (Type 3 and 4 assurance)

Shell Group Results

- ❖ Key performance metrics established and reported
 - ❖ Economic (economic performance, wealth creation)
 - ❖ Environmental (impact management, GhG emissions)
 - ❖ Social (respect for people)
 - ❖ Governance and Values (integrity, stakeholder engagement)
- ❖ 2000 Corporate Watch – Greenwash runner-up award to Shell Group for *Profits and Principles* ad campaign (1998)
- ❖ Direct one-on-one engagement with shareholders – Tell Shell and 2001 Website Discussion Forum.
- ❖ 2002 Shell Group – “*Action Today with Tomorrow in Mind*”

Conclusion

Five frogs are sitting on a log. Four decide to jump off.

How many are left?

Five. There's a difference between deciding and doing.

PRICEWATERHOUSECOOPERS 

Your worlds

Our people

