CFGR | FCRG

Canadian Foundation for Governance Research
Fondation canadienne de recherche sur la gouvernance

The Robert Bertram

Doctoral Research Awards

2015 RESEARCH REPORT

Improving Stakeholder Engagement and Reporting in the Extractive Sector

Jennifer Mills

York University

cfgr.ca

Improving Stakeholder Engagement and Reporting in the Extractive Sector

Jennifer Mills
PhD Student, York University

Abstract:

Corporate sustainability reporting has become widespread in the oil and gas industry. Companies increasingly refer to global voluntary standards. The first section of this report examines how corporate responsibility reporting has become more material to the interests of stakeholders but many deficiencies remain, such as unbalanced reporting, inconsistent application of standards and little room for the perspectives of stakeholders. Companies can improve the credibility of sustainability reports by seeking external assurance and setting public targets. The second section looks at stakeholder engagement more closely and how companies can improve their practices and reporting in this area. It concludes with a discussion of the role of board members in fostering a corporate culture that values sustainability and stakeholder engagement.

Acknowledgements:

I would like to thank Robert Bertram and the Canadian Foundation for Governance Research for the financial support to do this research. I am grateful to everyone I interviewed for taking the time to share their thoughts and knowledge with me. Finally, I appreciate the assistance of Dave McInnes in reaching out to directors in Alberta.

Canadian companies are under increasing pressure to take social and environmental factors into account in their decision-making. Issues of human rights, environmental degradation and climate change grab media attention and impact company reputations. These pressures are coming from various stakeholders, including investors, advocacy groups and locally impacted communities. Extractive industries are under particular scrutiny given past incidents and the magnitude of potential impacts. At the same time, negative attention has driven the industry to become a leader in sustainability reporting[1] and disclosures. The message to consider sustainability is getting through with 95 per cent of the world's largest 250 companies[2] reporting on their corporate responsibility (KPMG, 2013).

Incorporating sustainability into a company's operations takes many forms, including mission statements, management systems and reporting. Sustainability as a concept also covers a broad area of subjects, encompassing environmental indicators, employee safety, community investment and stakeholder engagement. This report focuses on the practice and reporting of local stakeholder engagement by public oil companies. For oil and gas companies, stakeholder engagement entails how impacted communities are identified, how they are engaged by the company, and how that interaction is reported. Impacted communities fall within the broader category of stakeholders, and Aboriginal communities are a sub-section of those groups with unique rights and needs. Since this report uses the example of oil companies in Alberta's bituminous sands, the communities most impacted tend to be First Nations and Métis. Given that environmental impacts are a major concern for Aboriginal communities, this report will address

[1] Alternatively called corporate responsibility, triple bottom line, corporate citizenship or environmental, social and governance reporting (Midttun, 2013). Terms used interchangeably in this report.
[2] Hereafter the G250.

some interrelated issues in environmental reporting. Environmental management systems are however outside of the scope of the report. As scholars Epstein and Buhovac (2014) argue, these systems need to be in place before the stage of public reporting.

The paper is organized into four main sections. After a description of the study's methodology, the first section outlines major developments in corporate responsibility reporting, particularly the spread of global voluntary standards. It also highlights significant deficiencies in reporting that erode stakeholder trust and suggests how reports can be improved. The second section addresses relations with Aboriginal communities in the Alberta context. It outlines some of the best practices by companies as well as remaining challenges and points of conflict. The third section discusses the role of corporate directors in promoting sustainability, good stakeholder relations and transparent reporting. It considers the tension between investing in sustainable practices and in fulfilling the fiduciary duty to shareholders. The final section summarizes some of the recommendations and reflects on further challenges for oil companies.

Methodology

This report draws on recent literature and surveys by academics and professional associations. In order to compare international trends to the local context, I analysed the most recent sustainability or corporate responsibility reports of ten operators in Alberta's bituminous sands. Observations from that analysis are summarized in a chart (Appendix B) as well as incorporated into the narrative of the report.

I completed fifteen semi-structured interviews to get more in-depth information on company practices, trends in sustainability reporting and the role of corporate directors. Interviewees were selected by the snowball method for their specialized knowledge and experience. The interviewees[3] break down as follows:

- Seven senior employees of five oil companies operating in Alberta
- Three corporate directors
- Two employees of a First Nation's Industry Relations Corporation
- One co-owner of a consulting company
- One employee of a professional services company
- One employee of a financial services company.

Seven were conducted in person, six by phone and two by email.

In addition to the formal interviews, I also had the opportunity to learn informally about Aboriginal rights, corporate governance, environmental issues and stakeholder consultation at several events. These events from February 2015 to September 2015 include:

- Canadian Institute's Western Aboriginal Consultation and Negotiation
- 2015 Institute of Corporate Directors' National Conference
- We Are the Land (Keepers of the Athabasca)
- Healing Gathering for the Land and Water (Fort McMurray First Nation)
- Pembina Institute's Alberta Climate Summit

Growth in Sustainability Reporting

Sustainability reporting serves to both build credibility among external stakeholders as well as strengthen internal processes. While reporting first emerged as a response to external pressures, it is increasingly recognized as bringing value to businesses (Midttun, 2013). Some studies indicate that companies embracing sustainability are rewarded through better financial performance, improved reputation, and stronger organizational identity (Epstein & Buhovac,

[3] See Appendix A for biographical information on interviewees who gave permission to be named.

2014; Hughen et al., 2014; Gangi & Trotta, 2013). Sustainability reporting is most common among the largest firms, with 93 per cent of the Global 250 engaging in sustainability reporting in 2013 (Lynch et al., 2014). The sectors with the greatest environmental impacts, such as oil and gas, tend to have the highest reporting rates by sector. This is logical given that an E&Y survey of global companies found "improving their reputations through greater transparency" to be the top driver of sustainability reporting (Lynch et al., 2014). Some corporate reporting has a negative reputation as greenwashing or simply a public relations exercise. These reports tend to be vague, lack information relevant to stakeholders, and only report positive results. For reports to be trusted by stakeholders, high quality reporting must be backed up by good practices (Hughen et al., 2014).

The demand for reporting on sustainability can come from voices inside and outside the company. A major group driving this demand are the institutional investors who incorporate environmental, social and ethical concerns into their investment decisions. A corporate director interviewed says that "the expectations of socially responsible investments and funds have a large influence on directors today. The larger the pool of funds, the more influence they have."[4] In Canada, assets managed according to some kind of sustainability strategy grew from $589 billion in 2012 to $945 billion in 2014, a 60 per cent increase in two years (Global Sustainable Investment Alliance, 2015, p. 4). Several sustainability indices have appeared, including FTSE4Good and the Dow Jones Sustainability Index.[5] Divestment has not had a major impact in Canada as Canadian investors favour shareholder actions and corporate engagement as their primary strategy (Global Sustainable Investment Alliance, 2015). In contrast, negative screening,

[4] Personal communication by phone Aug. 25, 2015.
[5] However the credibility of sustainability indexes is unclear given their relatively low minimum standards and reliance on self-reporting.

which excludes certain industries or companies not meeting minimum standards, is now a common strategy in Europe.[6] If that strategy became more mainstream in Canada, this could have an impact on oil and gas companies, especially with regards to greenhouse gas emissions. Companies can demonstrate that they are meeting the environmental and social standards of investors and continually improving their practices by increasing the quality of their sustainability reporting. One way to do this is to use a standard reporting tool that investors understand and can use to compare across the industry.

Standardization in Corporate Responsibility Reporting

KPMG (2015) reports that there has been a growing number of mandatory and voluntary public disclosure initiatives in recent years. These initiatives are in response to the fact that non-financial reporting does not have the same vigorous and universally recognized standards as financial reporting. The main global voluntary effort has been the Global Reporting Initiative (GRI). GRI launched the first version of the guidelines in 2000. The guidelines cover environmental, health and safety as well as social and economic components. The main principles are stakeholder inclusiveness, sustainability context, materiality and completeness (Willis et al., 2015). Some commentators characterized earlier versions of GRI's guidelines as ticking off components rather than providing meaningful information (Midttun, 2013). In 2013, GRI launched their latest version, G4, which compliant companies will be obligated to use in 2016. A manager of a professional services firm calls the new version "an improvement because it focuses on pertinent information and values quality over quantity. There is a need for more

[6] For example, the Norwegian financial services company Storebrand divested from 6 oil companies based on their exposure to the oil sands in terms of current and future production. The company also divested from all coal companies previously in their portfolios (Storebrand, 2013).

vigorous, well-defined standards in sustainability reporting."[7] Initiatives like GRI have promoted the importance of materiality in sustainability reporting. Many of the companies in the chart use stakeholder input to develop materiality matrices (see Appendix B).[8] This information is intended to prioritize efforts around the company's greatest impacts and the topics most relevant to stakeholders. In theory, this avoids providing a lot of information that is not central to the company's business. Standards like GRI can assist in identifying common industry-wide priority areas.

The use of GRI guidelines has increased significantly, with 82 per cent of the G250 referring to them in their corporate responsibility reports (Lynch et al., 2014). The number of Canadian firms referencing the guidelines have also grown from 72 companies in 2011 to 101 in 2013 (Willis et al., 2015, p. 7). In KPMG's 2013 Survey of Corporate Responsibility Reporting, just under 80 per cent of Canadian firms surveyed referred to GRI in their reporting (KPMG, 2013). This does not mean however that the reports were prepared in accordance with the standards as it is common for companies to only reference them (see Appendix B).

Other voluntary guidelines address structure rather than content, such as integrated reporting (IR). This framework developed by the International Integrated Reporting Council promotes planning and reporting that takes a broader view of how value is created in a company. In some ways, integrated reporting principles can complement and support sustainability reporting. For example, IR could involve incorporating environmental costs and savings into financial accounting, which would push sustainability considerations into day-to-day financial

[7] Personal communication by phone Sept. 11, 2015.

[8] For example, Cenovus identifies water, cumulative impacts and Aboriginal engagement as areas of high stakeholder interest and relevance to Cenovus.

management. However, the goals of IR and corporate responsibility reporting are not necessarily the same. Some stakeholders are concerned that a focus on integrating reports could limit gains in non-financial disclosures of interest to non-investors (KPGM, 2013). This is particularly the case with qualitative stakeholder engagement information. In other ways, moving towards IR would be a positive development if the framework does not displace hard-won disclosures found in sustainability reports.

Industry associations have created their own responsibility frameworks, including the Mining Association of Canada's Towards Sustainable Mining (TSM) program. The program is mandatory for all MAC members with operations in Canada. The program launched in 2004 and added an external verification step in 2009 (MAC, 2015). In 2013, 23 companies participated, encompassing 62 facilities. An annual report presents both aggregated and company-specific data. Companies receive a score for various indicators. For example, the percentage of companies achieving an A level or above in Aboriginal and Community Outreach increased from 50 per cent in 2006 to 88.5 per cent in 2013 (MAC, 2014). 95 per cent of companies scored at least an A in identifying their communities of interest,[9] but a lower 82 per cent adequately demonstrated effective engagement with those communities (MAC, 2014).[10] Three of the companies included in the chart (Appendix B) – Shell, Suncor and Syncrude – participate in the program. One participant interviewed made the following comment:

> Our participation in TSM has been extremely beneficial, both in helping to identify what we are doing well and where we can improve, and we continue to fully support and endorse the ongoing development of the program.[11]

[9] TSM's language for stakeholders.
[10] Although the percentage of facilities achieving the highest score (AAA) increased from 2012.
[11] Personal communication by email Sept. 15, 2015.

While the TSM program does not dictate how companies should prepare their own sustainability reports, it has some standardizing effect on disclosures through collecting the same information from each company. In order words, members are forced to report on a given set of indicators if they do not already. Another industry association, the IPIECA[12], also releases guidelines for the oil and gas industry on how to calculate environmental and social indicators for comparability. However, unlike the TSM program, there is no verification process and companies decide which indicators they would like to use.

According to KPGM (2013), regulation is driving the growth of sustainability reporting globally. Several countries have added requirements on companies to report on their social and environmental impacts. In Denmark, sustainability reporting is required for the largest companies, and Swedish state-owned companies must report to GRI standards (Midttun, 2013). Similar federal requirements do not exist in Canada. There is great variability in what companies choose to incorporate in their mandatory disclosures. Some companies, such as Suncor, include information on Aboriginal relations and stakeholder engagement in their MD&As[13] whereas many others do not mention topics from their sustainability reports at all. The requirements however may be changing. In Ontario, some pension plans must demonstrate how ESG factors were incorporated in investment decisions, a policy expected to spread to other provinces (Global Sustainable Investment Alliance, 2015). At the federal level, Industry Canada is reviewing the Canadian Business Corporations Act, including whether current provisions adequately promote corporate responsibility (Global Sustainable Investment Alliance, 2015). These developments suggest a possible shift from voluntary to mandatory reporting in the near

[12] Acronym stands for the International Petroleum Industry Environmental Conservation Association.
[13] Management Discussion and Analysis.

future. At the very least, standardization in voluntary reporting is improving the quality and comparability of sustainability reports. However, significant challenges remain in ensuring that reports are useful to stakeholders. Some of these challenges include inconsistent use of standards, limited stakeholder feedback, a lack of balanced reporting and an over-emphasis on process rather than impacts.

Deficiencies in Sustainability Reporting

While the percentage of firms referencing common reporting standards has increased, there are concerns that the tools are not being used to their full potential. There is still great variability among reports as evidenced by the chart in Appendix B. While four of the companies report in accordance with a GRI level, most of the other firms refer to GRI without clearly indicating their level of compliance. The benefit of GRI's system is the ability to see which companies are in compliance and to know what exactly that means. However, for companies that only reference GRI, the usefulness of that exercise as a demonstration to stakeholders is greatly diminished. Cross-referencing indicators does not provide any evidence as to whether the process has led to internal reflection or change. Companies can also choose which indicators to reference, leaving uncertainty in the minds of stakeholders as to why other indicators were omitted. There is also great variability in how the referencing is done. Some companies (e.g. Shell, Statoil) provide references to specific sections of the report while others (e.g. CNRL) simply link to the website as a whole, which is not particularly user-friendly. GRI indexes should have clear referencing and, if online, be interactive (Epstein & Buhovac, 2014).

The type and level of disclosures vary between voluntary guidelines. While there is significant overlap between GRI indicators and the IPIECA guidelines for the oil and gas industry, there are some disadvantages in the industry guidelines for interested stakeholders. GRI includes some indicators that IPIECA does not.[14] In general, GRI requires more quantifiable information as well as information on operations. IPIECA takes a more narrative form focusing on the organization's overall approach, with optional supplementary case studies (IPIECA, 2015). Given the difficulty and undesirability of quantifying stakeholder relations, a narrative approach may be appropriate for the readers. However, the bird's eye view and selected case studies of the IPIECA's approach makes it easier to hide problem areas and does not prioritize reliability.

The emphasis on materiality in reporting goes hand in hand with stakeholder engagement in the reporting process. Both internal and external stakeholders[15] should be engaged in determining the core issues for reporting. In 2013, 79 per cent of the G250 companies identified material issues for their reporting (KPMG, 2013). KPMG's report however notes that few companies are transparent about how they identified those issues or engaged stakeholders. Companies can also consult with stakeholders on the reports themselves. In their sustainability reports, both Suncor and Syncrude describe panels of experts, whether local community members or non-governmental organizations, that they convened to provide feedback on the reports. They provide summaries of some of the comments. One company interviewed for this report comments that,

> the community advisory panel (both a national panel and a local community panel have been convened) process was extremely helpful and we have another one planned for next

[14] e.g operations with significant potential or actual negative impacts on local communities.
[15] Example of internal – employees. Example of external – local community.

> year. Feedback is carefully reviewed and considered, and incorporated wherever possible. It is important to our credibility – and that of the panel – that we demonstrate we are listening to and incorporating their feedback.[16]

This addresses how credibility is a major motivation of incorporating such feedback. Epstein and Buhovac (2014) note how sustainability reports are an opportunity to show how stakeholder concerns are being addressed. As mentioned, the companies tend to summarize the panel's feedback, allowing for control over the narrative. Even then, these practices are still rare. KMPG's 2013 survey found that the oil and gas sector incorporated stakeholder voices in reporting less frequently than other sectors. A manager of a professional services company notes that,

> we're not seeing much stakeholder commentary in Canadian reports. Sometimes in other countries, but more often expert review panels than concerns of local communities. Comfort level is not there among oil companies to quote local communities directly.[17]

In the past few years, several oil spills in Alberta and British Columbia have made headline news. It is perplexing then to read sustainability reports and see barely any mention of such incidents. It could give stakeholders the disturbing impression that the company does not view oil spills as material to their environmental performance. However, there are other possible explanations. The professional services company manager says,

> companies sometimes think that stakeholders already know about the issues, so they don't need to mention them in the report. Or they don't want to be held to statements in one report. But with vocal stakeholders and social media, news travels fast around the world so they should include such incidents.[18]

Whatever the reason, companies appear to lack credibility if they do not acknowledge the challenges of their operations. This manifests in some sustainability reporting that only reports on positive information. Bowen and Aragon-Correa describe this as greenwashing, "the selective

[16] Personal communication by email Sept. 15, 2015.
[17] Personal communication by phone Sept. 11, 2015.
[18] Personal communication by phone Sept. 11, 2015.

disclosure of positive information without full disclosure of negative information" (2014, p. 107). This is particularly a problem in sectors with less than positive reputations, such as the oil and gas industry, as some firms avoid any disclosures related to negative impacts (Gangi & Trotta, 2013). For example, pertinent information may be hidden in footnotes (Epstein & Buhovac, 2014). This is particularly troublesome to investors who are trying to evaluate the company's value in the short and long-term (Midttun, 2013). The problem of greenwashing in reporting has improved as stakeholders become more attuned to how corporate narratives are constructed and demand more complete factual information. Some companies have also been proactive in taking steps to disclose their challenges and shortcomings, even when this is not required.

By providing both positive and negative data, such companies allow stakeholders to make their own evaluations and show confidence in their ability to improve. Industry-wide however only 14 per cent of oil and gas companies in the G250 published well-balanced reports of successes as well as setbacks in 2013 (KPMG, 2013, p. 76). This level is well below the G250 average of 23 per cent across industries (KPMG, 2013, p. 17). In addition, a whopping 36 per cent of oil and gas companies did not discuss any challenges at all (KPMG, 2013, p. 76). In conclusion, while some companies are leading the way with balanced reporting and disclosures, unbalanced reporting remains a problem in the industry.

The final deficiency addressed in this report is the limited discussion of impacts in sustainability reporting. It is very common for reports to include data on greenhouse gas emissions, other emissions and water usage and the methods of capturing and calculating this

data continue to improve. However, sections on biodiversity monitoring tend to be qualitative and vague on the impacts of the project. As Tony Boschmann and Harry Cheecham of Fort McMurray #468 First Nation's Industry Relations Corporation note, local Aboriginal communities in Alberta have noticed significant disturbance of wildlife habitats and migration patterns.[19] This disturbance has ecosystem implications but also affects constitutional Indigenous rights to hunt and trap. While some of the companies analysed provided much more detail on monitoring programs than others, none of the companies significantly acknowledged any wildlife disturbance. Instead, the focus is on the return of wildlife to reclaimed areas. This important news indicates that there must have been habitat disturbance in the first place. As mentioned, GRI's G4 requires detailed, site-specific information on impacts to biodiversity and proximity to protected areas. In contrast, most of the reporting elements on biodiversity in the IPIECA guidelines are supplemental. The IPIECA environmental sections focus more on the company's approach than their outcomes. In the 2014 Progress Report for the Towards Sustainability Mining program, the Committee of Interest Panel[20] identified biodiversity conservation as a key area requiring improvement (MAC, 2014). In addition to providing data, Epstein and Buhovac (2014) argue that reports should be helping the reader evaluate the impact of the data on ecosystems and local health. Likely for liability reasons, companies instead tend to focus on individual emissions and do not link to cumulative impacts. In the context of regions with multiple industries and projects, it is difficult to pinpoint the impact of one company's operations.[21] That said, companies should demonstrate that they are attempting to understand and measure their particular impact on local ecosystems.

---

[19] Personal communication in-person Sept. 3, 2015.

[20] An advisory body to the program. Also conducts post-verification reviews.

[21] In its 2013 Sustainability Report, Syncrude acknowledged when its operations were the cause of ambient air exceedances. This type of disclosure should be adopted by other companies.

Ways to Increase Credibility in Reporting

Companies dedicated to quality reporting and best practices can improve the credibility of their disclosures by seeking external assurance or verification. Auditors, consultants and other professional service companies have tools to assess the reliability of the information being provided. A 2005 survey found that external verification was the most important factor for stakeholders to feel that the report is credible (Epstein & Buhovac, 2014). Investors in particular are interested in seeing external verification (Midttun, 2013). A manager of a professional services company notes:

> For the oil and gas industry more so than other sectors, people question the credibility of the information, so demand is there for companies to get assurance. But it's mainly the big companies who get assurance. The cost and lack of regulatory requirements discourage smaller companies, especially with the low cost of oil right now.[22]

At this point, auditing of non-financial information is not mainstream practice. Even in a survey of 100 large firms, only 38 per cent had their corporate responsibility reports assured (KPMG, 2013). Of the firms that had assurance done, 72 per cent of that assurance was done at the limited level (KPMG, 2013). The higher level of assurance, regularly found in financial statements, is 'reasonable.' The type of non-financial information covered by audits is generally the environmental information. "The stakeholder engagement process is generally not assured. When sustainability reports are assured, it's usually at the limited level of assurance. The limited level is cheaper and corresponds to current expectations. If we were hired to provide assurance to the reasonable level, we would contact stakeholders and attend stakeholder meetings. Even the

[22] Personal communication by phone Sept. 11, 2015.

limited level still involves reading documentation such as minutes of meetings with stakeholders."[23] Some companies refuse to use external verification until there are more commonly recognized standards in assuring non-financial information (Epstein & Buhovac, 2014). However, the current process still has significant value in ensuring that companies are not misrepresenting data or omitting significant information.

KPMG's 2013 survey identifies setting targets and discussing performance as a best practice for sustainability. Besides providing transparency to stakeholders, public targets motivate action within the company. Suncor adopted environmental performance goals in 2009 and discussed their progress in the 2014 report. One of the motivations cited for setting the targets was their relationship with CERES, a civil society network, which urged the company to set firm goals. A civil society panel advising the IPIECA also comments on the importance of setting targets for tracking progress, benchmarking against peers and building trust among stakeholders (IPIECA, 2010). There can be negative consequences if companies do not meet their targets, but even then they can explain what steps they are taking to improve performance. In 2013, only 36 per cent of oil and gas companies had set targets corresponding to at least half of their material issues. 6 per cent had set no targets at all (KPMG, 2013, p. 58). This demonstrates that setting clear targets is an area where most oil companies have a large opportunity to improve.

Finally, companies should choose standards and verification systems that suit their strategies and stakeholders' needs. While it may look impressive to engage in multiple voluntary standards and certifications, it is also very costly and time consuming. Despite the benefits of

[23] Personal communication by phone with manager of professional services company Sept. 11, 2015.

GRI mentioned above, three of the five companies interviewed expressed concerns with maintaining compliance. Here are some of their comments:

> GRI assists in guiding the development of our report and what key indicators we need to address; however, given that our operations impact only a small geographic region, we also need to ensure that our sustainability reporting first and foremost meets the needs of our directly impacted communities of interest. We are considering continuing with GRI, based on international reporting expectations, however we are also doing a thorough review of our current reporting to gauge its effectiveness and again how to better meet the needs of our direct communities of interest. We need to evaluate whether this includes fully reporting to GRI, or being informed and guided by its indicators.[24]

> GRI can be helpful in generating dialogue internally, it provides a framework for reporting allowing for better comparisons but does not drive strategy.[25]

Another company expressed reluctance to continue under the new guidelines, G4, given the more targeted set of questions and indicators. This came as no surprise to a manager of a professional services company who says,

> there's a trend among some companies away from GRI with the new standards. Some worry about putting out sensitive, not-all-positive information, which is harder to hide in a 40 page report than a 150 page report.[26]

For companies that already track and disclose significant information on sustainability and stakeholder engagement, GRI may not be the right tool. This is especially the case for companies that already participate in another type of verification program. However, for companies that do not have leading reporting practices, an aversion towards the new GRI guidelines may represent a reluctance to engage with material issues in a substantive way. GRI is particularly useful for such companies if it is used as a tool for internal change. Companies should choose an appropriate reporting system that is relevant to their stakeholders.

Importance of Stakeholder Engagement in the Extractive Sector

[24] Personal communication by email Sept. 15, 2015.
[25] Personal communication in person June 26, 2015.
[26] Personal communication by phone Sept. 11, 2015.

A core section of sustainability reporting covers stakeholder relations and, if applicable, Aboriginal relations more specifically. These sections may include information on community investments, hiring of local labour and consultations with communities over project approvals, operations and land reclamation. Some companies, including Nexen and Cenovus, describe how they engage with and report to their diverse categories of stakeholders, each with different needs. For many companies, however, the reporting of consultation tends to be a short summary of more extensive process. The necessity of stakeholder consultation for onshore oil and gas operations cannot be overstated. Tony Franceschini, a corporate director for an engineering company, says that "from a practical and pragmatic perspective, if companies don't have good relations with their stakeholders and constituents, they are taking a great risk in getting and maintaining project approvals."[27] Similarly, Don Lowry, another director, states that "if companies don't have good stakeholder relations, they may lose or involuntarily relinquish their social license to operate."[28] The social license to operate refers to the necessary acceptance by local and other stakeholders, regardless of formal regulatory approval. Several studies have found growing costs and delays related to non-technical risks, including local opposition (Franks et al., 2014). In Alberta, First Nations and Métis communities may slow down the regulatory approval process by raising concerns if they feel that the company has not adequately taken their perspectives into account. Addressing concerns requires long-term, meaningful engagement. Epstein and Buhovac caution that stakeholder engagement is more than "greasing the squeakiest wheel"; it is essential to long-term profitability (2014, p. 3).

[27] Personal communication by phone Sept. 1, 2015.
[28] Personal communication by phone Aug. 17, 2015.

Aboriginal consultation has been a contentious subject in Alberta with much of the blame falling on the provincial government. First Nations, Métis communities and companies have been frustrated for different reasons. Successive Supreme Court decisions have affirmed the duty to consult Aboriginal peoples when “the Crown has knowledge, real or constructive, of the potential existence of the Aboriginal right or title and contemplates conduct that might adversely affect it” (*Haida Nation v. BC*, 2004, para 35). The duty to consult ultimately rests with the Crown, whether federal or provincial, but the “Crown may delegate procedural aspects of consultation to industry proponents seeking a particular development” (Ibid, para 53). The Mikisew Cree case in 2005 applied the duty to areas covered by Treaties. The decision explained that treaty making did not constitute the “complete discharge of the duty arising from the honour of the Crown” (*Mikisew Cree First Nation v. Canada*, 2005, para 54) but represented one stage in the process of reconciliation (Hogg, 2007, p. 28-58). While the Supreme Court decisions provided some parameters for the duty to consult, the details of how consultation would occur, when and with whom was left to provincial legislators. Greg Brady, Vice-President of Aboriginal Relations at Devon Canada, communicates that,

> when the MCFN case informed the Alberta government on the Alberta government on the duty to consult, the government struggled to develop processes and cost structures that would work. The end result was processes and costs had to be figured out by industry, and in many cases the results were beyond what is practical. Until recently, delegated consultation responsibilities have been open to interpretation. The Crown has been absent, non-existent in direct consultation and engagement. This constitutes a potential risk for proponents. Companies can do a lot but there is still a risk in being taken to court over inadequate consultation by the Crown.[29]

At times, there is a fundamental difference between First Nations who assert their right to free, prior and informed consent[30] and companies who use a definition of consultation that does not

[29] Personal communication in person June 26, 2015.
[30] As articulated in the United Nations Declaration on the Rights of Indigenous Peoples.

include the ability to veto projects.[31] The absence of the Crown in consultation is a common theme among different parties. Tony Boschmann of FMFN's Industry Relations Corporation notes that "the government shirked its responsibility on consultation, passed it to companies. But the question remains if companies even have the authority to carry out consultation."[32] His colleague Harry Cheecham says that "there's a lack of trust in the regulatory process because no project in this area has ever been denied."[33] Many First Nations have been excluded from consultation over projects because of the Alberta government's narrow interpretation of their territory and harvesting rights. This is the difficult context in which consultation over oil and gas projects is occurring in Alberta. Speakers at the Canadian Institute's conference on Western Aboriginal Consultation and Negotiation explained that engagement with companies has shifted from a focus on the regulatory process[34] to deal-based consultations separate from any government actors. This lack of regulation and oversight leaves room for significantly different stakeholder engagement practices among oil and gas companies.

Oil companies in Alberta have dedicated Aboriginal Relations or Stakeholder Relations teams. It is imperative for companies to recognize that those terms are not synonymous and to not try to fold Aboriginal Relations into a broader stakeholder management strategy. It is common practice for some of the employees on these teams to be located close to project sites and communities. Tony Boschman notes that "sometimes stakeholder relations staff are in a silo and don't have the authority or technical information we request. But generally they do get it and

---

[31] As articulated in the *Haida* Supreme Court ruling and government policies. Recent Supreme Court rulings however have moved closer to requiring consent in some circumstances, particularly around unceded territory.
[32] Personal communication in person Sept. 3, 2015.
[33] Personal communication in person Sept. 3, 2015.
[34] Although clearly this engagement still occurs.

report back."[35] There are clearly benefits to having dedicated teams but they also need to have thorough training and the support of the company as a whole. Some companies, such as Suncor, also convene local committees to facilitate communication and get feedback.

> "Suncor has two advisory committees in Wood Buffalo that serve to advise on many issues, including work force and the environment. Community members regularly bring their issues to the advisory committee representatives as a way of communicating with Suncor.[36]

In another example, De Beers has developed an independent monitoring body with four Dene communities in the Northwest Territories around its Gahcho Kué diamond mine (Globe and Mail, 2012). De Beers funds the group, called Ni Hadi Yati, through which traditional knowledge holders are hired and local community members are trained in western science in order to provide informed feedback on operations.

Companies engage formally with Industry Relations Committees or Corporations (IRCs) found in some form at each First Nation and some Métis communities. The IRCs in northern Alberta deal with thousands of regulatory applications each year with few staff and negotiate agreements with companies. An employee at Suncor explains that,

> we develop an annual work plan with the Industry Relations Committees. This long-term planning helps improve the efficiency of consultation for First Nations by supporting prioritization of areas and applications.[37]

Working with IRCs to anticipate upcoming applications is helpful since, as Tony Boschmann notes, they are dealing with tight deadlines to respond to applications under a very streamlined process.[38]

---

[35] Personal communication in person Sept. 3, 2015.
[36] Personal communication in person June 26, 2015.
[37] Personal communication in person June 26, 2015.
[38] Personal communication in person Sept. 3, 2015.

Consulting with Aboriginal communities early on in the process is an essential element of good relations. While this may seem obvious, some companies in Alberta are still waiting to consult until project design has been finalized. Speakers from IRCs at the Canadian Institute's conference emphasized the benefits of consulting early, particular the ability to incorporate the community's perspectives on project design as well as the methodology and scope of environmental impact studies. Communities may want potential impacts included that the company had not considered. Harry from FMFN's IRC acknowledges that,

> there are instances where proponents have modified project design or moved locations (based on community concerns). But this is only possible if they start consultation early. It saves the company money too (by identifying these issues early on).[39]

It is essential for companies to build trust with local communities. That trust can easily be broken by poor company practices and lax environmental or safety standards. Tony Boschmann of FMFN's IRC explains that "sometimes a company states in their project application that they'll put in mitigation measures, such as collecting noxious fumes, but then we find out later that they didn't. Or we assume that companies are safety maintaining their equipment but then an incident happens and we find out they weren't. Then the Nation feels betrayed."[40] A high level of trust and reliability can go a long way in stakeholder relations. When an incident does occur, companies can mitigate concerns by communicating information early and frequently to communities and by facilitating some access to the site in question. Peter Forna explains that "companies with better relationships with First Nations don't seem to have their incidents blow up as much in the media. But for companies with bad reputations and relationships, every little problem gets to the media and becomes a big issue."[41] This demonstrates the link between good

[39] Personal communication in person Sept. 3, 2015.
[40] Personal communication in person Sept. 3, 2015.
[41] Personal communication in person Sept. 1, 2015.

stakeholder relations and a company's reputation in the long run. If a company has good engagement with communities, other stakeholders may not know much about the details of that relationship. However, if a company has bad relationships with communities, word gets out.

As mentioned, information on stakeholder relations is usually included in corporate responsibility reporting.[42] Reporting on stakeholder relations that doesn't demonstrate appropriate understanding and care may be assumed to reflect poor practices. This is one connection between good stakeholder relations and good public reporting. It is important to note however that these functions are generally carried out by different teams with a company. Those responsible for reporting may interview and request information from Aboriginal Relations or Stakeholder Relations team leaders, so more detail may reflect better data keeping and monitoring in practice. However since the functions are separate, reporting may not fully reflect the reputation and relationships established by the Stakeholder Relations teams. It is therefore difficult to draw firm conclusions on a company's stakeholder relations in practice from corporate responsibility reporting.

There are unique challenges in the disclosure of information on Aboriginal Relations. Compared to quantifiable environmental data, less information tends to be shared publicly on Aboriginal Relations. Many companies summarize their policies and do not go into detail as to which communities they have relationships with. Greg Brady from Devon explains that for him, "I don't want to single out one First Nation and risk offending another by not mentioning them."[43] Members of First Nations may also understandably not want their sacred sites or

[42] Also included in GRI indicators.
[43] Personal communication in person June 26, 2015.

important hunting and trapping areas disclosed to the broader public. Companies tend to have separate reporting mechanisms for communities, including newsletters intended to address their areas of interest. Annual sustainability reporting may be more directed to other stakeholders, such as institutional investors, advocacy groups and academics. When asked about sustainability reports, Harry Cheecham replies "I never thought of any value in them. They all seem like PR."[44] Both sustainability reports and community newsletter tend to put strong emphasis on funding for community infrastructure or events. This information is likely not considered of high materiality to most stakeholders and contributes to the problem of imbalance in sustainability reporting. Harry Cheecham feels that "community investment is just good corporate citizenship, not consultation."[45] There is great variability among companies in the extent to which they mention Aboriginal consultation or risk from land claims in their mandatory reporting[46] to securities commissions. Some companies include similar information as in their sustainability reports while others do not mention stakeholders or communities at all. A 2009 consultation by Canadian Securities Administrators reports that investors are finding what they consider material information to a company's future outlook in voluntary disclosures, like sustainability reports, that are not being disclosed in mandatory filings (CSA, 2010). Investors want to see more harmonization and consistency between documents, but boards and executives are generally cautious about releasing non-mandatory information in secondary reports. The next section will examine the broader role of boards in a company's culture and actions regarding corporate responsibility.

Role of Directors in Sustainability

[44] Personal communication in person Sept. 3, 2015.
[45] Personal communication in person Sept. 3, 2015.
[46] e.g. Annual Information Form

Prioritizing good practices in environmental sustainability and stakeholder engagement should come from the top leadership of a company. KPMG's 2013 survey finds that when ultimate responsibility for sustainability is assigned to senior leadership, either board members or senior executives, companies tend to have higher quality corporate responsibility reporting (2013, p. 71). Particularly in the area of Aboriginal Relations, it is helpful for strategic leadership to come from the top of the company. One company interviewed has an Aboriginal Relations Steering Committee chaired by the CEO. All of the Aboriginal Relations team also sit on the committee to provide input from their direct contact with communities.[47] Corporate directors are not responsible for operational decisions or designing corporate responsibility programs, but there is much they can do to set their companies apart on sustainability and stakeholder engagement. Several corporate directors shared their views on the role of the board in sustainability.

> The board promotes sustainability in three main ways. First, the board sets the tone. They can place emphasis on high performance governance such as listening to stakeholders. Secondly, the board can make sure that there's a CSR plan and time for sustainability issues on the agenda and they don't get bumped. Third, the board can hire the right CEO who balances the interests of shareholders, with those of other stakeholder groups. Lastly, Board members should also be encouraged to speak as individuals on governance and sustainability issues. By this I mean directors should find their voice and contribute to the national dialogue on this important topic while at the same time recognizing their duty of care and fiduciary responsibilities to the company. - Don Lowry, corporate director[48]

> Directors set the culture of the company, including ethics, compliance, engagement, and health, safety and environment. They need to foster a culture that encourages compliance and monitoring. - Tony Franceschini, corporate director[49]

[47] Personal communication by email Sept. 15, 2015.
[48] Personal communication by phone Aug. 17, 2015.
[49] Personal communication by phone Sept. 1, 2015.

> The role of a corporate director is to hold the company responsible, but it's up to management to deal with design and operations. The board ensures that all disputes are dealt with properly and fairly, and maintains the company's reputation. - Anonymous corporate director[50]

The directors all emphasize the oversight role of directors in shaping the culture of the company. This is supported by scholars Epstein and Buhovac (2014), who argue that leadership from the board is a key ingredient for high performance in sustainability. Directors can exercise this leadership through providing sound guidance, ensuring accountability to stakeholders and hiring the right executives (Epstein & Buhovac, 2014, p. 44).

In practical terms, directors spend time reviewing the company's strategic plans and visions, which can be formulated to take environmental and social issues into account. Tony Franceschini finds that these concerns are getting more attention at board meetings. He says that "more time is being spent at the board level on these non-financial issues, from only 5 per cent or so 10 years ago to more likely 20 to 25 per cent now."[51] When asked why, he responds that "corporate responsibility is improving because companies are a reflection of society and society in general is now more aware of these issues and expects that they be addressed."[52,53] On a more regular basis, issues around sustainability are discussed primarily by specialized board sub-committees, such as Health, Safety and Environment committees. A board member of an oil company states that "stakeholder issues are included in the quarterly report, which all board members receive but is primarily discussed by the HSE committee. There might be a broader discussion with the board over a significant issue, like a land conflict for example, but primarily

[50] Personal communication by phone Aug. 25, 2015.
[51] Personal communication by phone Sept. 1, 2015.
[52] Personal communication by phone Sept. 1, 2015.
[53] This raises the issue of board composition. There are still few directors of oil and gas companies who are women or people of colour. MEG Energy does not have a single woman on its board or among its senior executives. Does this affect the board's ability to reflect the values of the broader society?

addressed by HSE committee."[54] Discussion of sustainability issues may be less frequent or at least formally scheduled for boards of companies indirectly involved in resource extraction. Tony Franceschini, a director for companies contracted by oil and gas companies, states that "the boards that I serve on do not have structured quarterly reporting on community relations. But at least once a year it would be included in the CEO's annual management report. Even if it was not specifically included, at least one or two directors would ask the questions anyway."[55]

Board members may be concerned about legal liability if shareholders do not feel that the board is acting in their interest. Speakers at the Institute of Corporate Directors 2015 conference however provided insight into how directors can pursue broader objectives without violating their fiduciary responsibilities. Tiff Macklem cites legal cases in the United States ruling that boards are not constrained to only maximize shareholder value as long as board decisions can be considered to be rationally in the long-term best interests of the company as a whole.[56] These rulings suggest that a business case can be made for sustainability decisions that do not serve short-term profit motives. This may put directors at odds with the motivations of other stakeholders but still leaves room to come to the same conclusions. Decision-making based on long-term value is highly relevant in the oil and gas sector with project life cycles spanning decades. Macklem also notes that boards in the United States tend to be more shareholder-oriented, rather than stakeholder-oriented, than in Europe or Japan.[57] While there may be some legal basis for this, it seems to reflect a cultural difference as well as the lower representation of other stakeholders on boards in North America compared to European countries. The cultural

[54] Personal communication by phone Aug. 25, 2015.
[55] Personal communication by phone Sept. 1, 2015.
[56] Remarks at ICD National Conference June 4, 2015.
[57] Remarks at ICD National Conference June 4, 2015.

elements of this orientation can be influenced by directors who choose to incorporate stakeholder considerations into decision-making.

Unfortunately, board members can also play a negative role by putting pressure on management. Through extensive surveying, Barton and Wiseman (2015) find that most of the pressure on management for short-term results comes from boards. In other words, management attempting to make long-term decisions based on sustainability may find their efforts thwarted by board members acting in the interests of short-term shareholders. Board members may also play a role in encouraging management to limit non-financial disclosures. A manager from a professional services firm reports that,

> sustainability teams and middle management often favour more disclosure and like GRI but senior management might not want to release sensitive information. Executives might take information out of the draft report if they don't see the point in voluntarily exposing information.[58]

Given this incentive to limit disclosure in sustainability reports, the manager wonders "how much emphasis are boards putting on sustainability reports as a key document?"[59] KPMG advises that corporate responsibility teams need the "licence to be transparent and balanced in their disclosure, reporting challenges and setbacks as well as successes" (2013, p. 41). By clearly prioritizing corporate responsibility at a high level, boards and executives can relieve some of the pressure on middle management to balance ethical and financial considerations (Epstein & Buhovac, 2014, p. 48).

The corporate directors interviewed agree that boards are generally becoming more aware of environmental and social considerations. One director says that "improving community

[58] Personal communication by phone Sept. 11, 2015.
[59] Personal communication by phone Sept. 11, 2015.

relations is an evolving process but many directors today take corporate social responsibility as a serious matter and raise those questions at board meetings."[60] Tony Franceschini expresses a similar view that "in the last 3 to 5 years, directors have become more aware and are asking more questions about sustainability and community relations. This is simply good business. In general, directors are becoming more proactive."[61] Despite the proliferation of dialogue on sustainability, not all board members are personally at the stage of championing sustainability. Those board members can create obstacles to developing a corporate culture that values environmental sustainability and stakeholder engagement. Tony Franceschini contributes that,

> with respect to new directors it is not that they are unaware of these issues, they are often more aware than experienced directors, but their effectiveness depends on the environment of the board. Sometimes it is difficult for a new director to advocate for something when you're the only one pushing for it. They may face peer pressure. The board collectively needs to make things happen.[62]

In order for corporate directors to champion sustainability, they must be knowledgeable about the firm's actions and policies on environmental and social issues. Epstein and Buhovac (2014) argue that leaders should know about the firm's impacts, engage with stakeholders and compare their firm's performance with its peers. In terms of what directors can do to promote sustainability, one Vice-President at a major oil company comments that "boards can have an understanding of the importance of the role that stakeholder relations has on our business. They should understand how strategic decisions affect communities and other stakeholders."[63] While directors are not tasked with designing environmental or community relations programs, they have a role in ensuring accountability and consistency with the firm's vision, which usually incorporates sustainability principles. For these principles to be meaningful, stakeholders must

[60] Personal communication by phone Aug. 25, 2015.
[61] Personal communication by phone Sept. 1, 2015.
[62] Personal communication by phone Sept. 1, 2015.
[63] Personal communication by phone Sept. 21, 2015.

see that those values are incorporated into the firm's daily operations. In surprising survey results, Barton and Wiseman (2015) find that only 34 per cent of directors feel that their boards understand their firm's strategies. Strategies encompass far more than sustainability, but it is often framed as a key component. In the course of contacting directors for this research, several declined an interview citing their unfamiliarity with their firm's environmental and social policies. These directors do not serve on the sub-committees that address sustainability. While this is not a robust statistical finding, it aligns with the survey cited above and suggests that some directors are not as proactive as others in seeing corporate responsibility as a personal responsibility. In order to forge a more personal connection, directors should learn more about the positive and negative impacts of specific operations. Harry Cheecham of Fort McMurray First Nation's IRC says that he has never seen a corporate director visit the First Nation, which is surrounded by pipelines and near several projects. On some occasions senior executives have visited. He agreed with the suggestion that it would be positive for directors to visit the community, as long as it was not done as a photo opportunity.[64]

Sustainability as Good Business

Companies should aim to be proactive in stakeholder engagement and see sustainability as a competitive advantage. By getting ahead of regulatory requirements, company leaders are being socially responsible as well as enhancing the long-term financial value of the firm. Epstein and Buhovac (2014) refer to this as either playing to win or playing to lose. Companies that are playing to win anticipate regulatory changes and reduce their exposure to climate change. In the

[64] Personal communication in person Sept. 3, 2015.

Alberta context, it is clear that there will be changes affecting the oil and gas sector under the NDP government. At the 2015 Pembina Climate Summit, Minister Shannon Phillips remarked:

> Action on the environment is integral to Alberta's economic future. In order to remain competitive, ensure market access for our energy products, Alberta must and will improve our environmental performance.

Companies that improve their environmental performance on a voluntary basis will have an advantage relative to other firms. There is a particular opportunity for small and medium size firms to improve their sustainability reporting since that is largely the domain of large companies today (Lynch et al., 2014).

There will also likely be changes to Alberta's consultation policy with First Nations as Premier Notley has asked her cabinet to bring ministries in line with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). The UNDRIP contains several articles pertaining to land rights, self-determination and free, prior and informed consent which do not seem consistent with the language and approach of the current consultation policy. For example, the UNDRIP contains the following articles:[65]

> Article 3 – Indigenous peoples have the right to self-determination. By virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development.

> Article 19 – States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free, prior and informed consent before adopting and implementing legislative or administrative measures that may affect them.

> Article 26.1 – Indigenous peoples have the right to the lands, territories and resources which they have traditionally owned, occupied or otherwise used or acquired.

[65] http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf

Peter Fortna, co-owner of Willow Springs Strategic Solutions advises that "companies should get ahead of the curve knowing that UNDRIP is coming."[66] He adds that "some companies still won't negotiate with Metis communities if they think the government doesn't recognize those communities."[67] However, forward-thinking companies would see that a Métis consultation policy is in development and that some communities are quickly building their capacity to negotiate. Some companies have been more proactive. Syncrude has negotiated a Good Neighbour Policy with Metis Local 1935 (Syncrude, 2014). Harry Cheecham of the Fort McMurray #468 First Nation says that "some companies consult with the Nation even though the Alberta government doesn't tell them they have to. Those companies are a breath of fresh air. They realize that they may have to consult later as the Nation's capacity grows. But some other companies close by just refuse to consult even though they are directed to by the government. They won't recognize our consultation procedures."[68] Peter Fortna similarly notes that "some companies would rather go to court, they think it will be less expensive, than negotiate with communities. They don't want to set a precedent with other nearby communities." This refusal to engage in good faith does not build goodwill among communities. Fortna adds that "companies need to realize that they'll be neighbours for decades. Even if they handle an incident well in the present, people remember the past."[69] It can also be in the interest of companies to respect the free, prior and informed consent of indigenous communities. A recent report by the Boreal Leadership Council argues that "consent is the mechanism that will offer the most certainty for proponents who wish to develop projects on Aboriginal title lands" (2015, p. 5).

[66] Personal communication in person Sept. 1, 2015.
[67] Personal communication in person Sept. 1, 2015.
[68] Personal communication in person Sept. 3, 2015.
[69] Personal communication in person Sept. 1, 2015.

Summary of Best Practices

For public companies in extractive industries, reporting on their environmental and social impacts has essentially become a requirement even though Canadian regulations have not kept pace. Stakeholders including impacted communities, advocacy groups and investors demand transparent, reliable and comparable information. Companies can build trust in their reporting by:

- Following common standards for calculating and reporting on their operations.
- Ensuring that disclosed information is relevant to the intended audience and material to the business.
- Setting public targets and discussing their performance.
- Seeking external verification for all sections of their reports.
- Harmonizing disclosures across voluntary and mandatory reports.
- Increasing disclosures on stakeholder engagement as considered appropriate by local communities.
- Seeking and incorporating stakeholder feedback in reports, even when negative.
- Balancing both positive and negative information.
- Attempting to determine the impacts of their activities on biodiversity, rather than simply reporting emissions.

In terms of Aboriginal Relations, companies must ensure that they are treating those communities as rights holders and not as any other stakeholder. They should understand the historical context of indigenous rights and title in the place they are operating. Some of the best practices identified include:

- Prioritizing good relations starting at the leadership level.
- Consulting early and in a meaningful manner.
- Communicating in a timely and honest way, particularly during times of crisis.
- Following community priorities in allocating funding.
- Respecting community consultation protocols.
- Participating in and convening multi-stakeholder bodies.
- Creating advisory bodies with local communities whereby funding is provided for communities to conduct independent monitoring and provide feedback.

Corporate directors can support all of these best practices by promoting a culture of responsibility and planning for the long-term sustainability of the company and the environments in which it operates. They should take the time to personally appraise themselves of the concerns of local communities as well as the company's policies and practices. Directors should not compromise sustainability efforts by placing short-term, unrealistic pressures on management.

Reflections Going Forward

In April of 2015, Vancity announced that the IA Clarington Inhance Canadian Equity SRI Class fund would be divesting from Suncor and CNRL given the greenhouse emissions associated with their current and planned projects. The press release indicated that Suncor had been responsive to shareholder engagement, but that the results had not been sufficient to continue investing (Vancity Investment Management, 2015). On the other side of the coin, speaker Jamie Bonham at Pembina's Climate Summit said that the demand for carbon-free funds is so great that retail investors generally cannot access those funds since large institutional investors buy them up quickly. There are also significant concerns about cumulative impacts in

Alberta that have not been addressed. At the Pembina Summit, Chief Allan Adam of the Athabasca Chipewyan First Nation said that "we have reached the threshold of what we can handle." The point of these examples is that some projects entail impacts that are considered too great by many stakeholders, regardless of the reputation of the operator. Several interviewees from companies and communities emphasized the immense challenge in finding a balance between environmental protection and economic development.[70]

Unlike other industries, oil and gas companies cannot differentiate their product through more sustainable practices. In the end, each company in a region is producing the same barrel of oil. Regardless of a company's practices in reporting or stakeholder engagement, institutional investors are increasingly moving away from fossil fuel companies given the dangers posed by climate change. Oil and gas companies must therefore show better performance. In the 2014 Towards Sustainable Mining Report, Shell, Suncor and Syncrude all scored well in setting greenhouse gas emission targets, but none of them met their targets. There is disconnect between their strong planning and reporting and their performance in this area.[71]

What does this mean for companies? Companies should continue to make both a business case and an ethical case for good practices. If environmental and social regulations are tightened in Alberta or other locations, it is foreseeable that some projects may not receive approval going forward. It would be logical for regulators to favour operators who have good reputations working with Aboriginal communities, fulfill their environment commitments and demonstrate reliable public reporting. Local communities may prioritize challenging projects by companies

[70] Some communities are installing renewable energy projects in an attempt to achieve both.
[71] It is positive though that these companies participate in such initiatives since other companies may have worse records but do not disclose them to the public.

that they know have poor records in environmental management and community relations. Companies should attempt to exceed current expectations and be part of the solution in switching to a more clean energy economy.

References

Barton, D., and Wiseman, M. (2015). Where boards fall short. Harvard Business Review. Retrieved from https://hbr.org/2015/01/where-boards-fall-short

Boreal Leadership Council. (2015, Sept.). Understanding successful approaches to free, prior, and informed consent in Canada. Part 1. Retrieved from http://borealcouncil.ca/wp-content/uploads/2015/09/BLC_FPIC_Successes_Report_Sept_2015_E.pdf

Bowen, F., and Aragon-Correa, J. A. (2014). Greenwashing in corporate environmentalism research and practice: The importance of what we say and do. Organization and Environment, 27(2), 107-112.

CSA. (2010, Oct. 27). CSA staff notice 51-333: Environmental reporting guidance.

Epstein, M. J., and Buhovac, A. R. (2014). Making sustainability work: Best practices in managing and measuring corporate social, environmental, and economic impacts (2nd Edition). Sheffield: Green Leaf Publishing; San Francisco: Berrett-Koehler Publishers.

Franks, D. M., Davis, R., Bebbington, A. J., Ali, S. H., Kemp, D., and Scurrah, M. (2014). Conflict translates environmental and social risk into business costs. PNAS, 111(21), 7576-7581. www.pnas.org/cgi/doi/10.1073/pnas.1405135111.

Gangi, F., and Trotta, C. (2013). Determinants of corporate social disclosure through a multi-perspective approach: Evidences from the target companies of socially responsible funds. Accounting and Control for Sustainability, 26, 33-75.

Global Sustainable Investment Alliance. (2015, February). Global sustainable investment review. Retrieved from http://www.gsi-alliance.org/wp-content/uploads/2015/02/GSIA_Review_download.pdf

Globe and Mail. (2012, Dec. 6). De Beers and Dene groups want to join forces. Globe and Mail. Retrieved from http://www.cbc.ca/news/canada/north/de-beers-and-dene-groups-want-to-join-forces-1.1139177

Haida Nation v. British Columbia (Minister of Forests) (2004), 3 SCR 511, 2004 SCC 73.

Hogg, P. (2007). Constitutional law of Canada – 5th ed. supplemented. Scarborough: Thomson Carswell.

Hughen, L., Lulseged, A., and Lupton, D. R. (2014, March). Improving stakeholder value through sustainability and integrated reporting. CPA Journal.

IPIECA. (2015). Mapping the 2015 guidelines against the GRI G4 indicators. Retrieved from http://www.ipieca.org/system/files/uploads/Reporting_guidance_3ed_2015-APPENDIX_C-Mapping_against_GRIG4_Guidelines.pdf

IPIECA. (2010). Oil and gas industry guidance on voluntary sustainability reporting. Retrieved from http://www.ipieca.org/publication/oil-and-gas-industry-guidance-voluntary-sustainability-reporting-2010-update

KPMG. (2015). Audit trends: What's changing and how are audit committees responding? Retrieved from http://www.kpmg.com/Ca/en/IssuesAndInsights/ArticlesPublications/Pages/Audit-Trends-What-s-changing-and-how-are-audit-committees-responding.aspx

KPMG International. (2013). The KPMG survey of corporate responsibility reporting 2013. Retrieved from http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Documents/corporate-responsibility-reporting-survey-2013.pdf

Lynch, N. C., Lynch, M. F., and Casten, D. B. (2014, March). The expanding use of sustainability reporting: Standards setting and assurance opportunities for CPAs. CPA Journal. Retrieved from http://viewer.zmags.com/publication/cdb4a7af

MAC. (2015). Towards sustainable mining. Retrieved from http://mining.ca/towards-sustainable-mining

MAC. (2014). TSM Progress Report 2014. Retrieved from http://mining.ca/towards-sustainable-mining/tsm-progress-report-2014

Midttun, A. (2013). CSR and beyond: a Nordic perspective. Oslo: Cappelen Damm Akademisk.

Mikisew Cree First Nation v. Canada (Minister of Canadian Heritage) (2005), 3 SCR 388, 2005 SCC 60.

Storebrand. (2013, Feb. 7). Storebrand reduces carbon exposure in investments – 19 companies excluded. Retrieved from https://www.storebrand.no/site/stb.nsf/Pages/newsdesk.html#/news/view/storebrand-reduces-carbon-exposure-in-investments-19-companies-excluded-62954

Vancity Investment Management. (2015, April). Insight: Responsible investing newsletter 2015. Retrieved from http://www.iaclarington.com/docs/VancityInhance/InhanceInsightApril2015.pdf?27

Willis, A., Campagnoni, P., and Gee, W. (2015). An evolving corporate reporting landscape: A briefing on sustainability reporting, integrated reporting and environmental, social and governance reporting. Chartered Professional Accountants Canada. Retrieved from https://www.cpacanada.ca/en/business-and-accounting-resources/financial-and-non-financial-reporting/sustainability-environmental-and-social-reporting/publications/evolving-corporate-reporting-voluntary-reporting-briefing

Appendix A

Identified interview participants

Tony Boschmann – Environmental Consultation Manager, Industry Relations Corporation, Fort McMurray #468 First Nation

Greg Brady – Vice President, Aboriginal Relations, Devon Canada Corporation

Harry Cheecham – Land Use Manager, Industry Relations Corporation, Fort McMurray #468 First Nation

Peter Fortna – Co-owner of Willow Springs Strategic Solutions and Vice President of the Wood Buffalo Environmental Association

Anthony (Tony) P. Franceschini – Director of Stantec Inc. and other companies

Don Lowry – Director of Canadian Oil Sands Ltd. and other companies

Participants are understood to be speaking as individuals and not on behalf of their respective organizations.

Appendix B

Summary of the reporting practices of selected companies

Company Name/ Country	Last Sustainability Report	Board Sub-Committee	Materiality[72]	GRI[73]	External Verification of Non-Financial Info	Other Reporting Initiatives (TSM[74], CDP[75], PAR[76])
Canadian Natural Resources Ltd. (Canada)	2013 Stewardship Report to Stakeholders	Health, Safety and Environment		References G3 but not in accordance	No, only internal	CDP
Cenovus (Canada)	2014 Corporate Responsibility Report	Safety, Environment and Responsibility	Y	References G3.1 but not in accordance	Not evident	CDP
Devon (United States)	2015 Corporate Social Responsibility Report	None mention the environment explicitly		References components but not in accordance	Not evident	CDP
Imperial Oil (Canada)	2014 Corporate Citizenship Report	Environment, Health and Safety		References G3.1 components but not in accordance	Not evident	CDP

[72] Y indicates that materiality analysis was evident in the report or on the website.
[73] Global Reporting Initiative.
[74] Mining Association of Canada's Towards Sustainable Mining.
[75] Carbon Disclosure Project.
[76] The Canadian Council for Aboriginal Business' certification in Progressive Aboriginal Relations. The program does not cover consultation practices.

MEG Energy (Canada)	None	None mention the environment explicitly		No	Not evident	
Nexen (China)	2014 CNOOC Ltd. Social Responsibility Report[77]	None mention the environment explicitly		References GRI but not in accordance	Not evident	PAR (silver)
Shell (Netherlands/ UK)	2014 Sustainability Report	Corporate and Social Responsibility Committee	Y	GRI3.1 in accordance with A+ level	Only for GHG emissions	CDP, PAR (silver)
Statoil (Norway)	2014 Sustainability Report[78]	Safety, sustainability and ethics	Y	In accordance with G4	Yes (partial indicators)	CDP
Suncor (Canada)	2015 Sustainability Report	Environment, Health, Safety and Sustainable Development	Y	In accordance with G4	Yes (partial indicators)	TSM, CDP, PAR (silver)
Syncrude (Canada)	2013 Sustainability Report	Safety, Health, Environment and Corporate Sustainability	Y	GRI3.1 in accordance with B level	Confirm some disclosures but not reviewed for accuracy	TSM, PAR (gold)

The information in this chart is intended to represent what stakeholders can reasonably find on company websites. I did not verify the information with any of the companies.

[77] Nexen also produces a separate Canadian report.
[78] Statoil also produces an Oil Sands Report.