THE CORPORATE ETHICS MONITOR

VOLUME 19, ISSUE 3, MAY-JUNE 2007 PUBLISHED BY ETHICSCAN CANADA LIMITED

Editor's Comments by Vincent di Norcia

Taking Oil Stock

It is almost ten years now since a *Scientific American* cover headline read, 'The End of Cheap Oil'. In their article authors Colin Campbell and Jean Laherrere predicted, correctly, that conventional global oil production would peak in the next decade. But, surprisingly, it remains cheap. Most of us still guzzle lots of oil and gas.

Despite a decade of warnings we are still not 'off oil.' *Scientific American* got it wrong. The problem is cheap oil; and the solution is higher priced oil, along with carbon taxes. This truth may be, as Al Gore says, inconvenient; but it should also free us from the shackles of our oil addiction. The popularity of his movie, the declining sales of SUVs and gas guzzlers and the potentially critical decline in American automotive company profits with some approaching bankruptcy, are all indicators that we may have begun to come to our senses about the socio-economic and environmental costs of not getting off oil.

Cheap oil has extremely costly ecological, social, and economic implications. The low market price of oil and gas postpones investment in clean energy and 'externalizes' the full social and ecological costs of our dependence on oil. Those factors reflect and contribute to rising GHG emissions, dependence on non-renewables, massive development pressure on fragile ecosystems, and numerous scientific forecasts of the destructive impacts of global warming.

The vicious circle of inefficient vehicle fuel systems and domestic and industrial heating and cooling systems, combined with the common tendency to rely on air conditioning, with thermostats often set at temperatures well below 25° celsius, all contribute to immense strains on energy demand. This all cycles back into a need for more electric utility plants, including Ontario's and Ohio's massive coal-fired plants, which in turn contribute to even higher temperatures.

Canada is seeing massive investment in its tar sands, which some describe as the dirtiest of petroleum sources. They represent 30% of our total energy supply, and growing. They are also Canada's largest GHG emission source.

Our addiction to oil, moreover, has worrying social and economic side effects. Some believe that the Iraq fiasco is fundamentally an attempt to ensure access to cheap oil. The rise in the U.S. national debt and fall in its dollar are partly due to the international shift in influence toward oil producing nations, from Venezuela to Iran and Saudi Arabia, and to pricing oil in Euros rather than dollars.

Action is required to counter these trends, move off non-renewables, and set in place a carbon emissions cap and trading system. The energy industry, as a principal agent responsible for the problem, should be in the forefront of helping us solve it. We must shift to a conservation tax on fossil fuels set high enough to encourage serious conservation and energy efficiencies. We need stringent auto (over 30 mpg) and truck (20 mpg) fuel standards. And we need to make polluters pay.

An end to massive subsidies for the tar sands and for oil and gas exploration and development is called for. Instead those monies should be redirected to rich grants and tax breaks for developing innovative, clean, efficient domestic and industrial energy technologies, and related businesses.

Other reforms include mandated reduction in oil and gas industry and utility plant GHG emissions, including flaring and other forms of energy waste and pollution. All major sources of GHG emissions should move forward on a 10 year zero emissions and recycling strategy. More support is warranted for businesses that shift to cleaner, more efficient energy sources. Many businesses are already moving in this direction, as indicated by the growth of eco-businesses such as Bullfrog Power, and Noranda-HP's e-waste recycling facilities.

Finally, all large organizations, public and private, should be required to be accountable and transparent about their "footprint." This includes adopting standards like the GRI G3 guideline, ISO 14001, or other disclosure or reporting regimens. Our continuing resistance to following these strategies makes one wonder whether it's the fuels that are fossils. Or us.

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Ethical Performance Comparison

Integrated Oil & Gas Services Companies

This essay is one of two dealing with Canada's $75 billion a year energy sector. It reviews larger companies that integrate upstream (exploration and drilling) and downstream (transporting, refining and selling) operations. Five of the seven companies reviewed here are majority-owned subsidiaries of foreign-based transnational corporations, typically with a minority of the Canadian subsidiary's shares being publicly traded here. The sector was last reviewed in *The Corporate Ethics Monitor* in January 2004, November 1999, and July 1996.

These energy companies explore, acquire, refine and market crude oil and natural gas as well as market petroleum and petrochemicals. Many are transforming themselves into energy companies by investing in renewable energy sources. Refinery capacity has been shrunk, with several locations having been shuttered or sold. A third of their retail gas stations are being closed, sold or franchised. Petro-Canada, for example, has cut 1,000 retail stations from its network. Significant public investment or ownership (such as the federal and Ontario governments, respectively, in Petro-Canada and Sun Oil) is a thing of the past.

The industry had its start in southwestern Ontario in the 1880s. It later emerged in the Calgary area in the 1950s, and currently exploits oil sands and offshore sources. Oil sands, one of the most polluting forms of energy, now account for 30% of Canada's total production. Except for Irving Oil and Ultramar Canada, these firms are based in Calgary, the heart of Canada's great interior oil and natural gas-bearing sedimentary basin.

Three of the seven energy companies reviewed here (Husky Energy, Irving Oil and Ultramar Canada) limit themselves to North American operations. The rest are global competitors. Petro-Canada, for example, has operations in eight countries, including three Middle Eastern countries. Irving Oil and Suncor have gas stations in the United States. Rates of return, viability, and prospects are closely tied to world commodity prices, projections of reserves, and the economic returns experienced by the oil and gas industry.

Management Practices & Consumer Relations

Ethics codes have been introduced in two waves: originally in the late 1980s, and more recently in the early years of this century. Imperial Oil, Petro-Canada, Shell Canada and Suncor each have updated their ethics or responsible business practices code within the last five years. Since 2003, Husky and Irving Oil have introduced one. Irving Oil rolled out its code with company-wide training in 2006. Ultramar Canada provides no details of any program that it might have.

Companies typically complement such conduct codes with related policies such as conflict of interest, privacy, and sexual harassment. Integrity training exists at four of seven, but regular or ongoing training beyond initial hiring is reported only at Petro-Canada and Shell Canada. Staff sign-offs on codes exist, though not necessarily annually, nor for all staff. For example, Imperial Oil has annual sign-offs for employees in sensitive positions; other staff sign off once every four years. At Petro-Canada, the frequency of sign-off has increased from once every five years to once every two years.

As reported in the accompanying table, four companies have an ethics ombudsperson, officer or hotline. In 2003, a 24 hour integrity line was started at Suncor. Shell introduced its

PROFILES: INTEGRATED ENERGY COMPANIES

HUSKY ENERGY INC
Founded, Headquarters: 1938: Calgary — *Number of Units:* 515 stations
Ownership: Li family: 71% (Hong Kong) *(1)* — *Revenues:* $12,664 mil (2006)
Refinery Operations: BC (1) Prince George; AB (1) Lloydminster
Canadian Operations: BC, AB, SK, MN, ON, NFLD
Foreign Operations: China, Indonesia, U.S., Libya
Brand Names: Husky, Mohawk, White Rose — *Listings:* TSX: HSE

IMPERIAL OIL
Founded, Headquarters: 1880: Toronto; now Calgary
Ownership: ExxonMobil Corp: 69% (U.S.) *(2)* — *Revenues:* $24,788 mil (2006)
Number of Units: 2,000 stations — *Foreign Operations:* Nil
Refinery Operations: AB (1) Strathcona; ON (2) Sarnia, Nanticoke; NS (1) Dartmouth
Canadian Operations: All provinces — *Listings:* TSX: IMO; AMEX: IMO
Brand Names: Esso, Exxon, Imperial Chemicals, Esso Chemicals

IRVING OIL LIMITED
Founded, Headquarters: 1924: Saint John NB — *Revenues:* $7,500 mil (2006)
Ownership: Irving family; 100% (Bermuda) — *Number of Units:* 770 stations (2007)
Refinery Operations: NB (1) Saint John; U.S. (Maine, New Hampshire) (2)
Canadian Operations: NB, NS, PEI, NFLD, PQ, eastern ON
Foreign Operations: U.S. — *Listings:* Not applic
Brand Names: Big Stops, Bluecanoe, Irving, Mainway, Meineke, Riverdale

PETRO-CANADA INC
Founded, Headquarters: 1969: Calgary — *Number of Units:* 1,300 stations
Ownership (1): Government of Canada: 19% — *Canadian Operations:* All provinces
Revenues: $18,911 mil (2006) — *Brand Names:* Petro-Canada
Refinery Operations: AB (1) Edmonton; ON (1) Mississauga; PQ (1) Montréal
Foreign Operations: Algeria, Libya, Netherlands, Syria, Trinidad and Tobago, Tunisia, U.K., Venezuela — *Listings:* TSX: PCA

SHELL CANADA LIMITED
Founded, Headquarters: 1911: Montréal; headquarters now Calgary
Ownership: Shell Investments Limited (Royal Dutch Shell) 100% (The Netherlands) *(3)*
Revenues: $14,651 mil (2006) — *Number of Units:* 1,600 stations (2004)
Refinery Operations: AB (1) Scotford; ON (1) Sarnia; PQ (1) Montréal
Canadian Operations: All provinces — *Foreign Operations:* Nil
Brand Names: Beaver, Pay Less, Salmon Pipelines, Scotford Chemicals, Select, Shell, Turbo
Listings: TSX: SHC; No longer publicly traded April 2007

SUNCOR ENERGY INC
Founded, Headquarters: 1979: Calgary — *Ownership:* Widely-held
Revenues: $14,342 mil (2006) — *Number of Units:* 325 stations
Refinery Operations: ON (1) Sarnia; U.S. (Colorado) Commerce City (1)
Canadian Operations: BC, AB, ON — *Listings:* TSX: SU; NYSE: SU
Foreign Operations: U.S. (Colorado, Wyoming)
Brand Names: EcoWash, Gold Diesel, Phillips 66, Suncor, Suncor Energy Products, Sunoco, Ultra 94

ULTRAMAR LTÉE
Founded, Headquarters: 1961: Montréal — *Number of Units:* 950 stations
Ownership: Valero Energy Corp, 100% (U.S.) — *Foreign Operations:* Not reported
Revenues: $8,622 mil (2006) — *Listings:* Not in Canada (4)
Refinery Operations: PQ (1) St Romauld — *Canadian Operations:* NB, NS, PQ, ON
Brand Names: Beacon, Diamond, Sergas, Shamrock

(1) L.F. Investments (Li family trusts): 36% and Hutchison Wampoa Ltd: 34.6%
(2) Spokesperson describes company as independent and not a subsidiary of ExxonMobil, which owns 69% of its shares
(3) Parent purchase all outstanding shares April 2007: new name possible
(4) Not publicly traded in Canada; parent on NYSE: VLO

ombudsperson function in 1999. Imperial Oil has reduced its number of ethics advisors from four to one today. Whistle blower protection policies are being enacted. No company commissions an independent social or ethics audit.

With current public attention upon energy security and prices, there is the risk that a bad corporate actor can adversely affect the whole sector's reputation. One bad performance – whether in terms of unfair competition, bribery or environmental degradation – can hurt the reputation of them all. This vulnerability, together with an array of conflicting provincial and federal regulations, helps explain why energy companies invest heavily in business practices programs, consumer promotion and community reporting, investor relations programs, internal audit, and support of their lobby group – the Canadian Association of Petroleum Producers (CAPP).

Such attention to ethical policies and programs has not necessarily yielded greater trust, credibility, accountability, or ethical assurance. Lawsuits, consumer boycotts and investor campaigns against individual companies are numerous. For example, over the last five years, a number of environmental groups have supported boycotts against Imperial Oil. The issues included the company's opposition to the Kyoto Principles (in 2002), high sulphur content in its gasoline (2000), and alleged failure to fully deliver on Exxon Valdez clean-up commitments (1999). In 2001, Shell Canada faced a lawsuit over residue left in its abandoned gas tanks. Irving Oil demanded that the federal government pay most of the cost of raising its sunken, PCB-laden oil-carrying vessel which was leaking oil in the St Lawrence. After losing in the courts, Imperial Oil sued employees over disputed pension fund contribution obligations in the 1970s.

Of the companies reviewed here, all but Irving Oil and Suncor are members of the self-regulating CAPP. This organization, which has 145 member companies, introduced an Environment, Health and Safety (EHS) Stewardship Program in 1999 that encourages members to continually improve their performance and report publicly. Regrettably, CAPP declines to reveal the accomplishment status of individual members within the Stewardship Program. Sector-wide, only 54 of CAPP's 145 member companies publicly report EHS data.

Equity and Family

The presence of women in senior ranks is increasing, although they do not constitute half of the directors or executive officers at any company. Among these seven companies, Irving Oil and Ultramar Canada do not report any women on their Boards. Across the sector, there are only eleven women among 58 total directors. This compares with 10 of 58 in 2004.

Shell Canada appointed a female CEO in July 2003 – a first in this sector. Across the companies, six of 50 officers are women. Irving Oil and Ultramar Canada decline to disclose whether or not there are women in their senior management or executive ranks. Shell Canada, which has the highest proportion of women in senior ranks, is losing some of them as senior officers are leaving, following the company's recent full repurchase takeover by Royal Dutch Shell, an English registered company with headquarters in The Netherlands.

Programs exist that support advancement of women as well as work-family balance. These include formal mentoring (at 5 of 7 companies), an anti-harassment policy (4 of 7), a corporate-sponsored on-site daycare (at Suncor), and daycare referral for the chil-

ENERGY COMPANIES: MODIFIED DELPHI GRADING, JUNE 2007

Company	Equity & Family	Community Responsibilities	Management Practices	Corporate Governance	Environmental Performance	Environmental Management	Employee Relations	Progressive Staff Policies	Sourcing & Trading	Candor
Number of Variables	29	24	21	12	20	26	26	33	24	216
Integrated										
Husky Energy	D	E	E	E	D	D	E	E	E	61%
Imperial Oil	B	C	B	C	E	B	E	A+	A	77%
Irving Oil	D	E	E	E	E	D	E	E	E	22%
Petro-Canada	B	B	C	B	D	B	A	A+	C	86%
Shell Canada	A	B	B	B	C	B	B	A	C	70%
Suncor	A	A	C	B	B	A	B	A	A	87%
Ultramar	D	D	D	D	D	D	E	D	D	28%
Intermediate										
CNRL	D	C	B	D	D	C	B	B	E	64%
Compton Petroleum	D	D	D	D	E	D	D	D	E	33%
Devon Canada	D	D	D	D	E	D	D	D	E	71%
EnCana	B	C	C	B	C	B	B	A	C	78%
Nexen	C	A	A	A	E	A	A	A+	B	87%
Penn West Petroleum	E	E	E	D	E	D	E	E	E	45%
Syncrude	D	D	D	D	D	D	C	D	E	28%
Talisman Energy	E	C	A	B	E	C	A	A	A	81%

Source: EthicScan Corporate 1500 DataBase: shading indicates sector best performance. The grading in this Table reflects many more variables than what is reported in this Essay, or in the charts on pages 37 and 38 as well as 44 and 45. The criteria are described in a series of six articles in *The Corporate Ethics Monitor*, vol 12, issues 1-6. The grading scheme was developed in 2000 by a team of 60 businesspersons, social justice advocates, journalists, unionists and others. Grades are as follows: A+: 90% and over; A: 75-89%; B: 60-74%; C: 40-59%; D: 20-39%; and E: 19 or less. More detail is available at www.ethicscan.ca.

TABLE 1: VOLUNTARY ENVIRONMENTAL AND OTHER STANDARDS

Company	ISO 14001 *(1)*	UN GC *(2)*	CCPA RCP *(3)*	CAPP EHS SP *(4)*	WBCSD *(5)*	DTI/ UK00A *(6)*	GRI G3 *(7)*	IPIECA *(8)*	DJSI *(9)*	FTSE 4 Good *(10)*
Integrated										
Husky Energy	Partial	No	No	Gold	No	No	No	No	No	No
Imperial Oil	Partial 14001	No	Yes	Gold	No	No	No	Yes	No	No
Irving Oil	No	No	No info	No info	No	No	No	No	No	No
Petro-Canada	Partial	Yes	No	Gold	Yes	No	No	No	No	No
Shell Canada	Yes	Yes	Yes	Platinum	No	No	Yes	Yes	Yes	Yes
Suncor	Partial	No	No	Platinum	Yes	No	Yes, G2	No	Yes, 8th year	Yes, 6th year
Ultramar	Partial 9000	No	No info	No info	No	No	No	No	No	No
Intermediate										
CNRL	No info	No	No	Gold	No	No	No	No	No	No
Compton Petroleum	No info	No	No info	Silver	No	No	No	No	No	No
Devon Canada	No	No	No	Platinum	No	No	No	No	No	No
EnCana	9000	No	No info	Gold	No	No	No	No	No	No info
Nexen	Yes, in U.K.	Yes, since 2001	Yes	Platinum	Yes	Yes	Yes	Yes, since 2005	Yes, since 2001	No
Penn West Petroleum	No info	No	No	Platinum	No	No	No	No	No	No
Syncrude	No info	No	No info	No info	No	No	No	No	No	No info
Talisman Energy	Yes, U.K. operations	Yes, since 2004	No	Platinum	No	Yes	Yes, G2 (plan to do so for G3)	No	Yes, since 2006	No

Note: Data provided by company. Not all standards are reported, and depending upon the company, some apply to processing plants; others to drilling operations. "Partial" means adaptation by company, often without formal registration but with third party testing for equivalence.
(1) International Standards Organization, ISO 14001
(2) United Nations Global Compact
(3) Canadian Chemical Producers Association, Responsible Care Program
(4) Canadian Association of Petroleum Producers, EHS Stewardship Program
(5) World Business Council on Sustainable Development
(6) DTI/UK00A Environmental Monitoring System
(7) Global Reporting Initiative, G3 Standard
(8) International Petroleum Industry Environmental Conservation Association
(9) Dow Jones Sustainability Index
(10) FTSE 4 Good Index

dren of staff (3 of 7). Other examples include an employment equity program (at 5 of 7 companies) and disclosure of diversity statistics (5 of 7) at all companies but Irving Oil and Ultramar Canada. There are few reports of advisory committees on diversity issues or of quotas on nomination of directors or executives. Discretionary days for family or personal business exist, with annual limits set by Suncor (17 days a year), Husky (10), Shell (8 or 9), and Imperial Oil (5). Petro-Canada estimates that 25% and 1%, respectively, of its staff are on flexible schedules and job sharing or telecommuting.

In addition to women, there are other designated groups (persons with disabilities, visible minorities, and First Nations persons) who could benefit from advisory committees on diversity, diversity awareness workshops, annual performance auditing, and regular monitoring of workplace diversity. Four companies audit performance of hiring and promotion remediation programs. Suncor's aboriginal business development program, which won a CAPP award in 2002, includes scholarships and bursaries, mentoring, and campus recruitment as well as an Aboriginal Business Development Committee. We don't know whether or not individual executive performance appraisals include diversity targets and performance rewards.

In 2004, EthicScan reported that advancement of disadvantaged groups like minorities might be improving. Management at three companies had set targets for progress of visible minorities or First Nations peoples. Likewise five companies reported formal mentoring, and two had advisory committees on diversity. In 2002, Suncor and Shell reported 6.8% and 8% respectively of staff were comprised of visible minorities. Shell was awarded an Employment Equity Certificate of Merit award in October 2003. While aboriginal persons are being hired as field staff, they constitute only 7.5% and 1.2% of total staff, respectively, at Suncor and Petro-Canada, for example.

Petro-Canada, Shell Canada, and Suncor each report no human rights cases or tribunal hearings involving their staff at the workplace. Certain companies face legacy issues related to human rights. Irving Oil has received numerous citations and $78,000 in fines for dozens of child labour violations in Maine. Imperial Oil has struggled with two longstanding cases. One involved punitive action related to drug testing (dating back to 1992) and the other sexual orientation, specifically same sex benefits (in 2000). These issues can have long term morale implications even after ostensibly being settled.

Community Responsibilities

The three largest donors to charities in proportional terms are Petro-Canada ($20 million), Husky Energy ($8 million), and Shell Canada ($13.7 million). The others donate lesser amounts. Irving Oil alone is silent on this topic. These levels of giving are below the standards recommended by Imagine

ETHICAL PERFORMANCE OF INTEGRATED OIL & GAS COMPANIES

	HUSKY ENERGY	IMPERIAL OIL	IRVING OIL	PETRO-CANADA	SHELL CANADA	SUNCOR ENERGY	ULTRAMAR LTÉE
Management Practices & Consumer Relations							
Written Code of Ethics (Yes/No; Date)	Yes, no date	Yes, 1978	Yes, 2006	Yes, 1987	Yes, 1987	Yes, 1999	No
Code Updated Within Last Five Years	Yes, no date	Yes, 2004	No info	Yes, 2003	Yes, 2003	Yes, 2005	Not applic
Ethics Training	Yes	Yes	No info	Yes	Yes	No	No
Annual Sign-off	No	Yes	No info	Yes *(1)*	Yes	Yes	Not applic
Ethics Ombudsman or Hotline	No	Yes	No info	Yes	Yes	Yes	No
Ethics or Social Audit	No	No	No	No	No	No	No
Ethics Code on Web-Site	Yes	No *(3)*	No *(6)*	Yes	No	Yes	No
Price Fixing Fines (#, Amount)	No info	1, $75,000	No info	Nil	1, $200,000	1, $100,000	1, $150,000
Equity and Family							
Women on Board	2 of 15	1 of 8	No info	3 of 12	3 of 12	2 of 11	No info
Women in Senior Management	1 of 14	0 of 3	No info	1 of 7	2 of 15	2 of 11	No info
Disclose Diversity Statistics	Yes	Yes	No	Partial	Yes	Yes	No
Aboriginal Hiring / Contracting Program	Yes	Some	No	Yes	Yes	Yes	No
Formal Mentoring Program	Yes	Yes	No info	Yes	Yes	Yes	No
Anti-Harassment Policy	No info	Yes	No info	Yes	Yes	Yes	No info
Employment Equity Program	Yes	Yes	No info	Yes	Yes	Yes	No info
Human Rights Cases	No info	Yes, 2	Yes, 1	Nil	Nil	Nil	No info
Daycare (Referral or Onsite)	No	Yes, referral	No	Yes, referral	Yes, referral	Yes, on-site *(7)*	No
Community Responsibilities							
Total Company Giving ($)	$5 mil	$12.0 mil	No info	$20.0 mil	$9.2 mil	$4.5 mil	$1.1 mil
Total Employee Giving ($)	$3 mil	No info	No info	No info	$4.5 mil	No info	No info
Donations as % of Pre-tax Earnings	0.63	0.48	No info	1.05	0.93	0.31	0.13
Imagine Canada Pledge	No	No longer	No	No longer	No	Yes	No
In-kind Donations	Yes, % n.k.	Yes, % n.k.	No info	Yes, % n.k.	Yes, % n.k.	Yes,% n.k.	Yes, % n.k.
Matching Gift Program	Yes	No	No info	Yes .	Yes	Yes	Yes
Community Investment Programs	Yes	Yes	No info	Yes	Yes	Yes	No info
Involvement in Multi-Stakeholder Dialogue	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Disclose Donation Guidelines	No	Yes	Yes	Yes	Yes	Yes	No
Preferential Aboriginal Procurement	No	Some	No	Some	$213.8 mil	Yes, $ n.k.	No
Publish Community Reports (#, yrs.)	1	10	Nil	5	16	13	Nil
Charitable Foundation	No	Yes	No	No	Yes, in 2004	Yes	Yes
Corporate Governance							
Independent Compensation Committee	No	Yes	No	Yes	Yes	Yes	No info
Independent Nominating Committee	No	Yes	No	Yes	Yes	Yes	No info
Some / All Policy Decisions Made in Canada	Some *(8)*	Some	All	Yes	Some	All	Some
Limit on Director Tenure	No	No	No	No	Yes	Yes	No
Number of Independent Directors	7 of 13	5 of 8	No info	10 of 11	8 of 11	10 of 12	No info
Separate Chairman and CEO	Yes	No	No	Yes	Yes	Yes	No
Failure to Table Minority Shareholder Resolutions	Not applic	No	Not applic	No	No	No	No
Existence of Poison Pill (Share Structure)	No	No	Not applic	No	No	Yes	No info
CSR Committee of Board	No	No	No	Yes	No	No	No
Environmental Management							
Environmental Policy (Yes/No; Date)	Yes, 1995	Yes, 1987	Yes, 1998	Yes, 1988	Yes, 1979	Yes, 1997	Yes, no date
Policy Updated Within Last Five Years	Yes, 2003	Yes, 2004	No info	Yes, 2006	Yes, 2003	Yes, 2005	No info
Full-time Environmental Staff (#)	41	100	No info	50	58	88	No info
Senior Full-Time Official (Rank)	Manager	Manager	Manager	VP *(2)*	VP	VP	No info
Environmental Training for Employees	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Environmental Committee of the Board	Yes	Yes	No info	Yes	No	Yes	No info
Frequency of Reports to the Board / yr.	2/yr	4/yr	No info	4/yr	1/yr	4/yr	No info

Canada, which are 1.0% of after-tax revenues over a three year average. Companies like Imperial Oil and Petro-Canada appear to have abandoned Imagine Canada, whose antecedent voluntary Imagine Campaign defined those "caring company" criteria. Such comparatively weak contribution performances come at a time when Canada, unlike most nations, is reducing its taxes and levies on retail gasoline product sales.

Philanthropy can encompass not only contribution of funds but also donation of in-kind resources (like advertising, meeting space, generators, emergency aviation or heating fuel, or surplus used office equipment), matching gift programs, and voluntarism by employees and pensioners. Sector-wide, accounting of in-kind donations and staff (as distinct from corporate) giving is not consistent.

All companies but Irving Oil discuss community investment, levels of giving, and staff involvement in voluntarism or participation in selecting donation recipients.The organization of charitable giving and community involvement is becoming more inclusive, transparent and sophisticated. Charitable foundations have been created at Imperial Oil (since 1994), Shell Canada (in 2004), Suncor and Ultramar. Five companies match gifts – that is, contribute funds to organizations where employees, retirees, spouses, partners, and surviving spouses donate time and/or cash. Shell Canada and Petro-Canada speak of donations committees comprised of staff at regional business units and corporate head office.

The oil and gas industry operates in disputed areas where First Nations' peoples claim title. Examples include the oil sands (Suncor near Fort McMurray, Petro-Canada at Athabaska, and Imperial Oil at Cold Lake) and Imperial Oil, Petro-Canada and Shell in the Mackenzie Delta. Beyond education awards and the like to aboriginal peoples, the deeper issues here concern corporate involvement in the long-delayed settlement of hundreds of aboriginal land claims.

Four companies report that they have some degree of pro-

ETHICAL PERFORMANCE OF INTEGRATED OIL & GAS COMPANIES (CONT'D)

	HUSKY ENERGY	IMPERIAL OIL	IRVING OIL	PETRO-CANADA	SHELL CANADA	SUNCOR ENERGY	ULTRAMAR LTÉE
Environmental Performance							
Environmental Audit Team Staff	Internal	Internal & External	Internal	Internal	Internal & External	Internal & External	No info
Commodity Types Recycled (#)	Yes, 7	Yes, 4	Yes, 1	Yes, 5	Yes, 10	Yes, 8	No info
Disclosure of Quantities Recycled	No	No	No	No	No	Yes	No
Workplace Recycling Program	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Environmental Awards	Yes, 5	Yes, 15	Yes, 1	Yes, 4	Yes, 5	Yes, # n.k.	Yes, # n.k.
Convictions, Last Ten Years	Yes, at least $26,500	Yes, $779,000	Yes. $48,500	Yes, $390,000	Yes, $880,000	Yes, $201,750	Yes, at least $14,000
Waste Reduction Program	Yes	Yes	No info	Yes	Yes	Yes	No info
Demands Made of Suppliers	Yes	Yes	No info	Yes	Yes	Yes	No info
Donates to Environmental Organizations	Yes	Yes	No info	Yes	Yes	Yes	No info
Report Energy Intensity	Yes	Yes	No	Yes	Yes	Yes	No
Disaster Performance Bond ($ mil)	No	No	No	No	No	No	No
Employee Relations							
Employment This Year Canada	3,800	4,870	No info	5,000	4,790	5,765	1,055
Employment This Year Worldwide	3,800	4,870	No info	5,000	4,790	5,835	3,600
Change in Canada, Last Five Years	1,500	-1,200	No info	1,030	940	No info	No info
Percentage of Workforce Unionized	5%	9%	5%	26%	20%	47%	Yes, % n.k.
Number of Strikes, Last Ten Years	Nil	Nil	Yes, 1	Yes, 2	Nil	Nil	No info
Training Budget (Average Annual)	$1,000	Not reported	Not reported	Not reported	$2,000	Not reported	Not reported
Profit Sharing with Employees	No	No	No info	Yes	Yes	No	No info
Retraining/Relocation in Case of Layoffs	Partial	Partial	No	Yes	Yes	Yes	No info
Gainsharing Programs (Yes/No; #)	Yes, 2	Yes, 2	No info	Yes, 3	Yes, 3	Yes, 3	Yes, 1
ESOP Contribution by Employer	No info	5%	Not applic	25%	20%	50%	No info
Annual Staff Turnover Rate (Percentage)	7%	No info	No info	5%	3%	4.1%	6.6% *(4)*
Health & Safety							
Separate EH&S Report	Yes	Yes	Yes	Yes	Yes	Yes	No
Disclose Health & Safety Statistics	Yes	Yes	No	Yes	Yes	Yes	No
Fatalities, Last Five Years	No info	3	No info	3	No info	No info	No info
Progressive Staff Policies							
Employee Assistance Programs	Yes, 2	Yes, 5	No info	Yes, 6	Yes, 5	Yes, 5	No info
Health Promotion Programs	Yes, 3	Yes, 5	No info	Yes, 4	Yes, 6	Yes, 3	No info
Employee Newsletter	Yes	No	Yes	Yes	Yes	Yes	No info
Child/Elder Care Support	No	Yes, referral	No info	Yes	Yes, referral	Yes (children)	No info
Same Sex Benefits	Yes	Yes	No info	Yes	Yes	Yes	No info
Refund on Book & Tuition ≥ 75%	Yes, 100%	Yes, 100%	No info	Yes, 100%	Yes, 75%	Yes, 100%	No info
Internal Communications Programs	Yes, 1	Yes, 7	No info	Yes, 5	Yes, 7	Yes, 6	Yes, 2
Scholarship for Employees	Yes	No	No info	Yes	No	No	No info
Scholarship For Employees' Children	Yes	Yes	Yes	Yes	No	Yes	No info
Sourcing and Trading							
Policy on Canadian Sourcing	No	Yes (buy local)	No	Yes	Yes	No	No
Require Contractor/Supplier Sign Off	No	Yes	No	No *(5)*	No	Yes	No
Foreign Sourcing Code	No	No	No	No	No	No	No
Policy Against Sourcing in Repressive Regimes	No	No	No	No	No	No	No
Signs International Labour Standards	No	No	No	Yes	Yes, parent	No	No
% of Canadian Sourcing	Not reported	Not reported	Not reported	92%	95%	95%	Not reported
Active in Repressive Regimes	Yes	Yes, major shareholder	No info	Yes	Yes, parent	No	No info
Independent Monitoring	No	No	No	No	No	No	No
Disclose Operations in Foreign Countries	Yes	Not applic	No	Yes	Not applic	Yes	No
Sensitive Business Activities							
Number of Service Stations	515	2,000	770	1,300	1,600	325	950
Alcohol (% of Sales)	Nil	Nil	Yes, % n.k.	Yes, % n.k.	Nil	Nil	No info
Tobacco (% of Sales)	Yes, % n.k.	Yes, 5.5%	Yes, % n.k.	Yes, % n.k.	Yes, 5.5%	Yes, % n.k.	Yes, % n.k.
Lottery (% of Sales)	Yes, % n.k.	Yes, 0.5%	Yes, % n.k.	Yes, % n.k.	Yes,. 0.5%	Yes, % n.k.	Yes, % n.k.

Notes:
(1) Once every two years *(2)* VP, HR & Environment
(3) General principles on web-site *(4)* 2004
(5) Familiar with but not sign off on
(6) One page mission and values statement on web-site
(7) At head office *(8)* Company responds "All"

Information for this comparison is drawn from year 2007 reports prepared by EthicScan Canada. Where the performance of an institution is described as "No info," the company may have a salutary record, but the facts are not known to EthicScan researchers. The regular fact checking process involves corporate database reviews, interviews, and two requests that the company review, update and validate the major findings on file.

Research Prepared by Craig Barbisan

grams for preferential sourcing from aboriginal-owned businesses, reflecting the fact that First Nations peoples comprise 12% of residents in Alberta's oil sands region. Husky, Shell and Suncor report at length on aboriginal partnerships and preferential procurement. These include memos of understanding involving aboriginal and Metis employment in five locales including the Kehewin, Frog Lake and Lubicon Cree peoples. In the Wood Buffalo region, Syncrude reports that $20 million of a total of $200 million in contracting dollars goes to aboriginal-owned contracting companies. Last year Shell spent $213.8 million with aboriginal-owned businesses – 6.6% of the total.

There is a lengthy history of corporate community and sustainability reporting involving oil and gas. Shell Canada, Suncor and Imperial Oil have each been doing so for ten years or more. Husky has joined the trend, leaving only Irving Oil and Ultramar as non-participants. At Imperial Oil, there are annual reports complimented by stand-alone refinery or processing plant reports. In 2006, Shell Canada used an advisory panel to provide comments during the drafting of its Sustainable Development Report. Progressive reports include

COMMUNITY REPORTING

Overall, current reports largely remain one-way communications exercises. They do not incorporate or report on community as distinct from company assessments of risks and performance. They say little about how community and aboriginal engagement informs all levels of decision-making. Readers are hard pressed to know whether the initiatives highlighted in a report are common across the company or case-specific.

Current reports could do more to tap into interactive technologies, including the potential of voluntary opinions and judgements on the web. The public can neither compare nor discuss in real time differences between community stakeholder and corporate assessments. No energy company seems willing to lead by offering 24/7 reporting focused on independent assessments of the company's performance by host communities, near neighbours, contractors, aboriginal leaders, and other stakeholders.

community advisory consultation and disclosure reflecting the Global Reporting Initiative's G3 standards.

Corporate Governance

There are various responsible governance practices in this sector. Imperial Oil, Petro-Canada, Shell Canada and Suncor report that both their compensation and nomination Board committees are wholly comprised of independent directors. All companies but Imperial Oil, Irving Oil and Ultramar Canada have separated the position of Chairman and CEO. Sector-wide, a majority of directors (40 of 55, not including Irving Oil or Ultramar) are independent. This is nearly identical to the 40 of 54 figure in 2004.

There are areas for improvement. Only two companies require that evaluations of executive performance include non-financial factors. No company puts a limit on the differential between compensation for executives and regular employees. Only Husky and Petro-Canada (as well as upstream producer Nexen) report a corporate responsibility committee of the board. Except for retirement, there are no limits on consecutive re-nominations of directors. Companies like Petro-Canada, Shell, and Suncor elect directors annually, but do not put "rotate off the Board for a year" limits on successive re-election of long-standing directors.

Governance-related majority shareholder and minority rights issues are noted at companies like Husky, Imperial Oil, Irving Oil, and Shell Canada where there is a dominant shareholder. Concerns about managerial succession and accountability have been expressed about privately-held Irving Oil, where three Irving family members are senior executives. There is a poison pill, anti-takeover plan in place at Suncor.

Failure to table minority resolutions at annual shareholder meetings is uncommon. The number of shareholder resolutions is increasing. For example, Suncor has faced minority shareholder proposals dealing with auditors doing consulting work, stock options, sustainability plans and concerns, and its shareholder rights (poison pill) plan. In the 2006 annual shareholder meetings season, there were resolutions dealing with greenhouse gas emissions and climate change.

Environmental Management

A best practices environmental management system (EMS) would include formal environmental policies, several dozen environmental staff, a full time senior environmental affairs officer, an environmental committee of the Board, energy use and waste reduction targets, environmental training of staff, and regular quarterly staff reports to the Board. The data suggest that Imperial Oil, Petro-Canada and Suncor are furthest along this path with Husky and Shell Canada close behind.

While all seven companies have an environmental policy, only five report updating theirs within the last five years. Imperial Oil and Suncor report the highest numbers of full-time environmental staff. All companies report environmental training for staff. Five companies now publicly disclose energy intensity metrics.

There are significant variations in how companies address substantive issues like climate change, energy intensity and investment in renewable energy sources. For example, in 2003, Arthur Irving of Irving Oil publicly voiced support for the Kyoto Principles whereas Robert Peterson, former Imperial Oil CEO, was critical. Shell Canada, Suncor and other energy companies each emit at least 4 million tonnes of carbon dioxide annually – they are among the largest dischargers in the country. According to the Pembina Institute, in 2004, Husky and Imperial Oil had actual increases in GHG emissions intensity between their base years and 2000, and Imperial Oil had high sulphur content in its gasoline.

The "footprint" of these companies is large because they provide equipment and services throughout a well's life cycle, from drilling and stimulation, through natural gas compression and reworking, to completion and closure, including abandonment environmental services. This includes pumping acids, nitrogen and other products into wells to remove unwanted fluids and solids as well as dissolving portings in order to enhance a well's flow rate. While the companies use energy to explore for, process, transport and sell products, their energy consumption data deals largely with gas plants and refining.

Energy companies vary in their willingness to participate in global environmental responsibility forums, and in their acceptance of international voluntary standards, as Table 1 on page 36 shows. Shell and Suncor seem to be leading in this regard.

Certain initiatives merit mention. Irving pioneered the first deep water oil terminal in 1970 at Saint John. Suncor has invested in emission trading credits, as well as a range of wind and alternative energy projects including run of river hydro, landfill gas, biomass, and solar. GHG reduction technology programs are reported at Petro-Canada and Suncor. Charitable giving to environmental non-profit organizations (ENGOs) is common.

Environmental Performance

Drilling and operating oil and natural gas wells, as well as processing and transporting the products, puts stress upon the environment. Emissions, spills and solution gas (flared or vented), are increasing. Another major environmental challenge is treating and recycling contaminated soil at sites such as Imperial Oil (Lévis, PQ, Calgary and Port Moody).

No energy company commits itself to operate a closed loop waste disposal system – which captures and recycles all liquids, gases and chemicals – with zero emissions or releases to the environment. In addition to oil spills, gas flaring, and greenhouse gas emissions, environmental challenges include safe closure of wells, the special risks of drilling in Arctic areas, the disruption of caribou migrations, disposal of redundant equipment, and waste stream recycling at yards and machine tooling sites. Toxic liquid and gas drilling wastes, including fugitive gas emissions, hazardous metals, solvents, and corrosive chemicals, are common by-products of drilling and metal working operations.

Concerns about waste management in extractive industries are growing. As the table on page 38 shows, five of these seven companies report a waste reduction program, though targets are rare and only one (Suncor) reveals quantities of commodities recycled. Plastics, wire, tires and other waste stream commodities are separated at some drilling sites. Recycling of metals, solvents, waste oils, and wire occur, though often not reported. While direct investment in electronic fuel injection could reduce energy consumption in drilling by an estimated 15-20%, and allow rigs to run cleaner as well as reduce the potential for spills, such initiatives typically aren't reported.

While issuing corporate environmental reports separate from annual reports is common, levels of disclosure vary. In part this is because companies are involved in joint ventures where they may own a share of output from a rig or field. Five companies now report energy intensity measures. Only Suncor itemizes quantities of wastes recycled. Corporate environmental fines are in the $100,000 to $1 million range over ten years. All companies report winning environmental awards. However, few report progress within a corporate wastes and energy management targets framework, or report on individual-level, behaviour changes such as car and van pooling for head office staff, or corporate propane or hybrid fuel vehicle fleets for field staff, or preferential workplace parking for multiple occupancy vehicles.

A single natural disaster or terrorist attack could cost many lives and generate bills in the hundreds of millions of dollars. Despite this fact, none of these companies responded with an answer to a question about the dollar value of an insurance performance bond they held to address such a catastrophe. Many corporate spokespersons were unfamiliar with the topic, and doubted whether one existed. Similar accountability limitations are seen in their not providing regular figures on capital expenditures for waste management and energy efficiency.

It is almost impossible to discern how regularly all operations are audited. Companies use a range of internal and external teams in auditing of spills, emissions, and waste disposal. None relies on audit teams wholly comprised of external, independent investigators. Audits of operations and follow-up or remediation actions receive little comment or tracking in sustainability reports. It is uncommon for environmental performance to be certified by independent bodies. Many companies aren't clear about how often or how they audit rig operations or machine shops.

Employee Relations

Over the last four years, the number of direct employees has shrunk at some companies (Husky, Imperial Oil) and increased at others (Petro-Canada, Shell Canada, and Suncor). As Table 2 on page 41 shows, Imperial Oil, Petro-Canada and Shell Canada have each laid off 33-66% of their workforces since 1989 over a eighteen year time period. Comparing 1994 to today, Shell Canada and Suncor are the only firms to report increases in head counts. Such numbers reflect the fact that refineries have been sold, chemical operations divested, and retail stations franchised. As well, there has been significant contracting out of jobs, including pension administration, construction, and well site services.

Unions are common, but nowhere involve half or more of a company's staff. Suncor (at 47% of its total workforce) is proportionately more unionized than its peers. Collective bargaining involves 20-30% of the Petro-Canada and Shell Canada workforces, and 5% or less at the other companies. Strikes have been reported at Irving and Petro-Canada. The 27 month strike at Irving Oil was particularly bitter, with the union local president reporting having his boots urinated on by the company executive who allegedly commented that the unionist would never work in the province again. Annual turnover rates in 2006 are in the 4-7% range – Husky at 7%, Petro-Canada at 5%, Shell at 3%, Suncor at 4%, and Ultramar at 6.6%.

Gainsharing is most widely practiced at Petro-Canada, Shell Canada and Suncor. Their programs include share ownership plans, stock options, and profit sharing. Employer contributions to staff purchases of shares range from 50% at Suncor, 25% and 20% respectively at Petro-Canada and Shell Canada, to lesser amounts at other companies. Imperial Oil offers incentive share units for 650 high profile employees. Profit sharing at Shell Canada encompasses all staff – perhaps one of every two eligible workers with such rights. In 2003, Imperial Oil dropped its stock option plan introduced a year earlier in favour of a cash-based incentive compensation program.

Health & Safety

Most firms report having a joint management-worker health, safety and environment committee. Consistency and comparability in metrics and corporate willingness to report publicly on accidents and fatalities do not exist. None acknowledges being a member of the health and safety-focused Partnerships Program run by Alberta Labour to improve overall safety performance in the oil and gas industry.

Compared to upstream operations, downstream ones have lower injury or serious accident and fatality statistics. By contrast, upstream producers and oil well services companies are more at risk in this regard. Hand injuries at Shell Canada constitute one-third of the total. Contractor accident rates are higher than those for in-house staff. Individual longitudinal studies of refinery and chemical plant workers do report higher than expected rates of cancer, mortality and exposure to hazardous chemicals.

In terms of participation in the Canadian Association of Petroleum Producers' Stewardship Program, Shell Canada and Suncor rate as Platinum members, whereas Husky, Imperial Oil and Petro-Canada are Gold members.

HEALTH AND SAFETY

Most companies use safety teams who inspect equipment and procedures during regular field or site visits. Experts suggest various ways to enhance workplace health beyond the use of these teams. One is a pre-employment medical and drug screening program. Another is the use of customized safety training (videos, computer programs) initiatives to complement personal instruction from experienced crews. Still another is an annual safety audit carried out by internal and external personnel who evaluate, monitor, and enhance safety management systems. While individual companies may practice all three, none reports doing so and the CAPP does not standardize and mandate reporting on the topic.

TABLE 2: JOB CHANGES AT INTEGRATED ENERGY COMPANIES

Energy Company	Total Employees				
	2007	2004	1999	1994	1989
Husky	3,800	4,000	No info	No info	No info
Imperial Oil	4,870	6,460	6,740	13,975	15,275
Irving Oil	No info	No info	No info	No info	No info
Petro-Canada	5,000	4,525	4,375	5,675	9,525
Shell	4,790	3,825	3,645	3,975	7,220
Suncor	5,765	4,605	2,660	2,785	No info
Ultramar Canada	1,055	No info	No info	No info	No info

Source: EthicScan Canada

Progressive Staff Policies

Employee assistance programs (EAPs) are widespread. The more sophisticated of these counselling programs address the physical and psychological needs of employees, spouses and adult children. Petro-Canada reports the broadest program in terms of number of services.

Health promotion plans (HPPs) typically involve smoking cessation, drug coverage as part of health benefits, and a fitness subsidy. Imperial Oil, Petro-Canada and Shell Canada report the broadest range of such initiatives. Comprehensive wellness programs, including on-site fitness facilities, a range of workplace health education classes, and corporate marathons are reported by most companies in this sector. Suncor's program includes a healthy lifestyles program and up to 17 flex days off a year. Shell Canada has a fitness facility at head office, an active living centre with health courses, and fitness subsidies at other sites.

A broad internal communications program can enhance morale, productivity, and access to knowledge that enhances abilities to perform one's job. Such initiatives include newsletters, orientation programs for new employees, and open doors to managers. Companies like Imperial Oil, Petro-Canada, Shell Canada, and Suncor, which report the broadest programs, offer such initiatives as suggestion and reward programs, an international intranet web network, employee satisfaction surveys, and formal employee feedback, using external verifiers.

Average annual training budgets in 2006 were $2,000 per employee at Shell Canada and $1,000 at Husky. Full refunds for book and course expenses are noted, except at Shell (75%) and Irving and Ultramar (no details). Husky and Petro-Canada report scholarships for both staff and their children. Many field staff work more than a 40 hour week. Flextime, flexwork, and related variable work programs do not appear to be expanding.

Sourcing and Trading

The companies indicate that they have policies on Canadian or local sourcing. Petro-Canada, Shell Canada and Suncor each report that they source more than 90% of resources and supplies in Canada. Companies typically source oil and gas for western markets regionally but rely on offshore sources to supplement pipeline delivery to central Canada's markets. There are heavy exports of natural gas to the United States. Shell Canada reports that 53% of domestic crude oil is imported – from the U.K., Europe, Japan and U.S. sources. Canada ranks third and ninth, respectively, in global natural gas and petroleum production.

Public expectations are increasing that extractive industry companies' investment and operational decisions include responsible business conduct elements like environmental protection, community participation, freedom of association, and human rights considerations. No integrated energy company acknowledges comprehensive independent audits of contractors' performance or reports whether foreign operations meet human rights or labour standards. Imperial Oil and Suncor are the only integrated energy companies to indicate (as do intermediate energy companies Nexen and Talisman) that they require suppliers and contractors to accept their business conduct principles. Certain progressive firms voluntarily commit to international responsible business practice standards like the United Nations Global Compact (Petro-Canada, Shell Canada) and the UN Declaration of Human Rights and Fundamental Freedoms (Petro-Canada and Shell's parent company).

Companies don't have policies that prohibit doing business in repressive regimes. Suncor says that, operationally, it doesn't do so. There continue to be high profile cases of complicity of international oil companies in civil wars and zones of conflict in repressive regimes in Africa, Asia and the Middle East. Such vulnerability is seen for Husky (China, Indonesia and Libya), Petro-Canada (Syria and Libya), and the majority owners of Imperial Oil and Shell Canada. On and off-shore drilling and service rig contracting occur in foreign regimes recognized as repressive by human rights groups. Independent monitoring of potential abuses in these regimes is not practiced.

Tobacco and lottery tickets are typically sold at gas bars, whether company-owned or franchised. Percentages of total sales are not clearly reported. Three companies report significant product sales to Canada's Department of National Defence. Shell Canada produces jet fuel for military use. Imperial Oil reports that 40% of federal government petroleum purchases are for DND relief missions overseas. Petro-Canada sells petroleum products to the Coast Guard and Fisheries & Oceans.

Grading & Candor

As the grading table on page 35 shows, top marks for corporate responsibility go to Suncor (which led or tied for the lead in six categories). Imperial Oil, Petro-Canada and Shell Canada each led or tied for the lead in three categories. Low marks for candor go to Irving Oil and Ultramar.

Conclusion

This sector has considerable experience dealing with public issues like fair competition, pricing, and pollution. While ethics and environmental codes exist, the companies struggle with occupational health and safety, environmental, and equity challenges at home as well as bribery, human rights abuses and corruption abroad. Their strengths include corporate governance, stock option programs, and rules on fair business practices.

Note: Over the last three years, EthicScan has had ethics consulting contracts with one of these companies.

Ethical Performance Comparison

Selected Upstream Companies

This essay is the second of two on Canada's energy sector. The eight companies profiled here are independent senior oil and gas producers who explore, develop and produce natural gas, crude oil and natural gas liquids. Chemical plants at EnCana, Nexen (spun off into 62% owned Canexus Income Fund) and Syncrude are examples of firms with additional non-energy related operations. The sector was last reviewed in *The Monitor* in April 2004 and December 1999.

These upstream producers face intense competition, both from peers and integrated (upstream and retail downstream) oil and gas companies. Many grow by acquisition, and have to integrate employees from mergers with other field drilling and production operations. High profile multi-stakeholder challenges include dealings with indigenous peoples (land claims, business partnerships), environmentalists (gas flaring, greenhouse gas emissions), human rights activists, and public health advocates (still births and deformities). Regulators and accountants remain vigilant about price fixing, inappropriate financial statements, and manipulation of natural gas prices as well as bribery and agent commissions in international business.

This $75 billion a year energy industry in Canada walks a tightrope of expectations. There is continual debate about energy security, public accountability, North American integration, and a social licence to operate. Governments are tightening license standards, mandating environmental initiatives, discouraging certain technologies, and monitoring retail competition. More public health reports suggest links between birth defects, respiratory problems and cancers, among other maladies, with these operations. Emissions, "clean" or low sulphur gas, transparency and alternative energy (solar, wind, fuel cell) are emerging as major corporate responsibility themes.

Ethics Guidance and Reinforcement

Formal codes of responsible business conduct now exist at all eight companies, up from five three years ago. At companies like Penn West, there is one code of ethics for senior officers and another business conduct code for all staff. This formalization of business practices reflects the range and seriousness of ethics challenges they face. They include industrial espionage, white collar crime, meaningful community engagement, and insider trading. Other challenges include disclosure of environmental liabilities, reserves reporting, prevention of improper payments to foreign agents and officials, and conspiracy to lessen competition.

Coping successfully with such challenges requires not only updating these codes but also implementing ethics training, whistle blower protection and accountability-related accounting and reporting practices. All firms but Canadian Natural Resources (CNRL) report having updated their business practices code within the past five years. Only Compton, Devon, Nexen and Talisman (which uses on-line case-based training) report staff training in ethics. Signoffs by staff on codes and discussion of ethics at performance appraisals are reported at six firms. The timing of sign-offs are not always annual, and may vary by code or the responsibilities of individual staff. For example, at Talisman, the business conduct code is signed-off annually, but the ethics awareness code biennially.

Leading edge practices include posting the ethics code on-line (four of eight do so), offering protection for good conscience employees who whistle-blow, and enacting an ethics ombudsperson or hotline program (5 of 8 do so). In this sector, only Talisman commissions an externally-prepared social audit, although it is neither company wide nor independently verified. Nexen and Talisman each have a full time social responsibility officer. Talisman and Nexen are explicit about the use of facilitation payments to foreign government officials in specified or limited circumstances and where legal advice (or senior executive approval) is received.

All eight companies are members of The Canadian Association of Petroleum Producers (CAPP). The organization represents more than 95% of the country's crude oil and natural gas producers. CAPP attempts to improve the EHS performance of members through a Stewardship Program. However, only 54 of CAPP's 145 members report these data. CAPP has levels of performance-based standards (see Table 1 on page 36) but regrettably declines to reveal individual member company status to the public. The organization neither mandates disclosure, nor offers member conflict resolution activities, nor operates a public complaints ombudsperson service.

Ethical challenges are met differently. In 2001, EnCana paid a fine of $US 28 million to settle charges that a former subsidiary tried to manipulate U.S. natural gas energy prices. The case included allegations that staff of WD Energy Services (now defunct) discussed false reporting with merchant energy traders at two companies. In 2002, the company was accused of round trip energy trades, a means of inflating revenues but not cash flow.

Equity and Family

Women continue to face ceilings in their selection to Boards or as officers. Sector-wide, they constitute 5 of 73 total directors and 7 of 68 officers. This reflects little improvement from 2004 when the numbers were 4 of 64 total directors and 6 of 69 senior executives. No company reports two women on both the Board and as senior officers. Women represent 20-35% of total staff, 10-20% of management, and slightly more than 10% of senior managers.

Initiatives to redress this discrepancy – such as specific targets, diversity committees, or employment equity programs – aren't commonplace. Three firms report having formal mentoring programs. Nexen does not set diversity targets except in Yemen where 77% of its workforce are Yemeni nationals. Voluntary, non-mandated, gender and family/work balance initiatives such as daycare referral, formal mentoring and employment equity are rare. Syncrude reports diversity and anti-harassment workshops. While individual policies may address discrimination or harassment, they aren't likely to transform these unequal numbers unless supported by combinations of efforts like quotas, diversity sign-offs, tying equity success to executive performance appraisals, and equity training.

Many drilling and processing operations take place on or near lands claimed by aboriginal peoples. Five companies report an aboriginal hiring and promotion program. Syncrude describes itself as the largest industrial employer of First Nations peoples in Canada – some 9% of its workforce. It is a founding member of the Aboriginal Human Resources Development Council of Canada (AHRDCC), which promotes apprenticeship and trades programs. Syncrude has pledged $500,000 over 5 years for an Aboriginal Careers Initiative with the University of Alberta.

Nexen pledges to hire aboriginal persons in numbers proportional to their populations in Canada and Yemen. The firm also organizes cultural awareness training, awards university scholarships, and pledges to land claims settlement protocols. The Social Responsibility Working Group (SRWG) of the International Petroleum Industry Environmental Conservation Association (IPIECA) will host a "Business and Human Rights: Aboriginal Persons" workshop in Calgary, in June of this year, hosted by Nexen.

There are few reports of preferential procurement practices from aboriginal-owned contractors and suppliers of goods and services. Syncrude, which says that 13% of its contractor work-force is aboriginal-owned businesses, procures $130 million a year in goods and services from them.

Community Responsibilities

Two of eight companies (Nexen and Talisman) report their current contribution totals. Only Nexen reports separately as well as on employee giving. EnCana and Nexen not only pledge to the Imagine Canada standard but also issue detailed reports on community giving. By contrast, Compton, Penn West and Syncrude decline to report on any aspects of their community giving programs.

State of the art community engagement programs, like that at EnCana, include a charitable foundation with employee involvement, corporate matching of employee gifts, and posting of donations guidelines on the company's website. EnCana has a community investment program on its web-site that describes a $4 million EnCana Cares program plus $1.8 million in disaster relief. On the other hand, EnCana has been criticized for involvement in a controversial pipeline in Ecuador, including alleged high levels of water and air pollution on environmentally-sensitive Siona indigenous nation land in Amazonia.

There are constructive initiatives. Four companies (Devon Canada, EnCana, Nexen and Talisman) report matching gift programs, where they match employee gifts to community-based non-profits. EnCana matches individual employee gifts up to $25,000 a year. The same four companies disclose on-line the guidelines for community groups to receive financial donations. Talisman lists both royalties and taxes paid to each national government where it operates. EnCana posts a community relations directory (group name, phone number, and e-mail) by site or region, though not the amounts donated to each.

Companies communicate in order to influence the public about whether their image is more properly that of an explorer or an exploiter. For several years, as noted in the accompanying table, Nexen, Syncrude and Talisman have been issuing community reports. Talisman's reports were closely read because of the company's controversial stake in war-torn Sudan, which ended with its sale of that activity to a Chinese company in 2005. Anti-Sudan-involvement advocates have succeeded in the objective of sale of that investment but their prospective leverage on human rights issues in Sudan is much weaker today.

Corporate Governance

Across the sector, 51 of 70 total directors are independent. Only

PROFILES: INTERMEDIATE PRODUCERS

CANADIAN NATURAL RESOURCES LTD
Founded, Headquarters: Calgary: 1973 *Ownership:* Widely-held
Revenues: $10,398 mil (2006) *Canadian Operations:* BC, AB, SK
% Production in Canada: 96% *Listings:* TSX: CNQ; NYSE: CNRL
Foreign Operations: North Sea; offshore Africa (Cote d'Ivoire, Gabon)
Acquisitions: Anadarko Canada, Rio Alto Exploration, Ranger Oil

COMPTON PETROLEUM CORP
Founded, Headquarters: Calgary: 1992 *Ownership:* Widely-held
Revenues: $410 mil (2005); $219 mil (2002) *% Production in Canada:* 100%
Canadian Operations: AB *Foreign Operations:*
Listings: TSX: CMT; NYSE: CMZ

DEVON CANADA CORP *(1)*
Founded, Headquarters: Calgary: 1968 *Ownership:* Devon Energy Corp: 100%
Revenues: $US 2,597 mil (2006) *% Production in Canada:* 27%
Canadian Operations: BC, AB, SK, MB, YT, NWT
Foreign Operations: U.S.; and Azerbaijan, Brazil, China, Egypt, West Africa (Equatorial Guinea): last two dropped in response *Listings:* NYSE:DVN
Antecedent Company: Anderson Exploration, Northstar Energy

ENCANA CORPORATION
Founded, Headquarters: Calgary: 2002 *Ownership:* Widely-held
Revenues: $18,596 mil (2006) *% Production in Canada:* No info
Canadian Operations: BC, AB, SK, MB, NS, NFLD, NWT, NU
Foreign Operations: North Sea, Ecuador (divested)
Listings: TSX: ECA

NEXEN INC
Founded, Headquarters: Calgary: 1971 *Ownership:* OTPP: 12%
Revenues: $5,386 mil (2006) *% Production in Canada:* No info
Canadian Operations: BC, AB, SK, MB, ON, PQ
Foreign Operations: Australia, Brazil, Colombia, North Sea, West Africa (Nigeria, Yemen) *Listings:* TSX: NXY

PENN WEST ENERGY TRUST
Founded, Headquarters: Calgary: 1979 *Ownership:* Widely-held
Revenues: $1,727 mil (2006) *% Production in Canada:* 100%
Canadian Operations: BC, AB, SK, MB *Listings:* TSX: PWT.UN; NYSE: PWE

SYNCRUDE CANADA LIMITED
Founded, Headquarters: Fort McMurray: 1964
Ownership: Exxon Corp; Canadian Oil Sands Trust *(2)*
Revenues: No info *% Production in Canada:* 100%
Canadian Operations: AB *Foreign Operations:* Nil
Listings: TSX: COS.UN; not publicly traded

TALISMAN ENERGY INC
Founded, Headquarters: Calgary: 1992 *Ownership:* Widely-held
Revenues: $7,931 mil (2006)
% Production in Canada: 49% *Listings:* TSX: TLM
Canadian Operations: BC, AB, SK, ON, PQ, NS, NWT
Foreign Operations: Algeria, Australia. Colombia, Indonesia, Malaysia, Netherlands, North Sea, Norway, Peru, Qatar, Tunisia, U.K., U.S. (Alaska), Vietnam

(1) Doing business in Canada as Devon Canada in 2001
(2) Stakes in Syncrude are also held by a series of joint venture participants, including EnCana, Nexen, Mocal, Murphy Oil, Petro-Canada, Conoco Phillips

ETHICAL PERFORMANCE OF INTERMEDIATE OIL & GAS COMPANIES

	CNRL	COMPTON	DEVON CANADA	ENCANA	NEXEN	PENN WEST	SYNCRUDE	TALISMAN
Management Practices & Consumer Relations								
Written Code of Ethics (Yes/No; Date)	Yes	Yes, 2004	Yes, 2004	Yes	Yes, 1997	Yes	Yes	Yes, 1992
Code Updated Within Last Five Years	Yes, 2001	Yes, 2006	Yes, 2006	Yes, 2002	Yes, 2007	Yes, 2005	Yes, 2006	Yes, 2005
Ethics Training	No	Yes	Yes	No	Yes	No	No info	Yes
Annual Sign-off	Yes	Yes	Yes	Yes	Yes	No info	No info	Yes *(3)*
Ethics Ombudsman or Hotline	No	No	Yes	Yes	Yes	No	Yes	Yes
Ethics Audit	No	No	No	No	No	No	No	Yes
Ethics Code on Web-Site	No	Yes	Yes	No	Yes	No	No	Yes
Price Fixing Fines (#, Amount)	Not reported	Not reported	Nil	$28 mil	Nil	Not reported	Not reported	Nil
Full Time Social Responsibility Officer	No	No	No	No	Yes	No	No	Yes
Equity and Family								
Women on Board	1 of 13	0 of 6	0 of 10 *(4)*	2 of 14	1 of 12	0 of 9	No info	1 of 9
Women in Senior Management	1 of 12	1 of 6	1 of 10	1 of 9	1 of 13	1 of 11	No info	1 of 7
Disclose Diversity Hiring Statistics	No	No	No	No	No	No	Yes	No
Aboriginal Hiring / Contracting Program	No	No	Yes	Yes	Yes	No	Yes	Yes
Formal Mentoring Program	No	No	Yes	Yes	Yes	No	No info	No
Anti-Harassment Policy	Yes	No	Yes	Yes	Yes	No	No info	Yes
Employment Equity Program	No	No	No	No	No *(6)*	No	Partial	No
Human Rights Cases	Not reported	Not reported	Nil	Not reported	Nil	Not reported	Not reported	Nil
Daycare (Referral or Onsite)	No	No	No	No	Yes, Referral	No	No	No
Community Responsibilities								
Total Company Giving ($)	$1.4 *(1)*	No info	$1.4 mil *(1)*	$4 mil *(9)*	$7.2 mil	No info	No info	$6.2 mil
Total Employee Giving ($)	No info	No info	No info	$1.8 mil *(9)*	$1.1 mil	No info	No info	No info
Donations as % of Pre-tax Earnings	No info	No info	No info	No info	1.54	No info	No info	0.78
Imagine Campaign Pledge	No	No	No	Yes	Yes	No	No	No
In-kind Donations	Yes	No	Yes	Yes	No	No	No info	Yes
Matching Gift Program	No	No info	Yes	Yes	Yes	No	No info	Yes
Community Investment Programs	Yes	No	Yes	Yes	Yes	No	No info	Yes
Involvement in Multi-Stakeholder Dialogue	Yes	No info	Yes	Yes	Yes	No info	No info	Yes
Disclose Donation Guidelines	No	No	Yes	Yes	Yes	No	No info	Yes
Preferential Aboriginal Procurement	No	No	Yes, $ n.k.	Yes, $ n.k.	Yes, $ n.k.	No	$130 mil	$ n.k.
Publish Community Reports (#, yrs.)	Nil	Nil	Nil	Nil	10 (since 1997)	Nil	4 (since 2002)	7 (since 2000)
Charitable Foundation	No	No	No	Yes	No	No	No	No
Corporate Governance								
Independent Compensation Committee	Yes	Yes	Yes *(4)*	Yes	Yes	No	Yes	Yes
Independent Nominating Committee	Yes	Yes	Yes *(4)*	Yes	Yes	No	Yes	Yes
Some / All Policy Decisions Made in Canada	All	All	Some	All	All	All	Some	All
Limit on Director Tenure	No	No	No	Yes	No	No	No	No
Number of Independent Directors	8 of 13	5 of 6	7 of 9	12 of 14	11 of 12	3 of 9	Not applic *(7)*	8 of 9
Separate Chairman and CEO	Yes	Yes	No	Yes	Yes	Yes	No	Yes
Failure to Table Minority Shareholder Resolutions	No	No	No	No	No	No	No info	No
Existence of Poison Pill (Share Structure)	No	Yes	Yes	Yes	Yes	No info	No info	Yes
Environmental Management								
Environmental Policy	Yes	No info	Yes	Yes	Yes	Yes	Yes	Yes
Policy Updated Within Last Five Years	Yes, 2002	No info	Yes, no date	No info	Yes, no date	No info	No info	No
Number of Full-time Environmental Staff	17	No info	13	17	15	Nil	No info	21
Senior Full-Time Official (Rank)	Director	No info	Manager	Director	VP	Not applic	No info	Snr Manager
Environmental Training for Employees	Yes	No info	Yes	Yes	Yes	Yes	Yes	Yes
Environmental Committee of the Board	Yes	Yes	No	Yes	Yes	No	Yes	No
Frequency of Reports to the Board/yr.	1/yr	No info	4/yr	2/yr	4/yr	No info	No info	4/yr

Penn West does not report a majority of independent directors. At Syncrude, which is the world's largest producer of synthetic crude oil from tar sands, the owner companies' representatives take on Board responsibilities. CNRL, Compton, Devon Canada's parent (Devon Energy), EnCana, Nexen, Syncrude and Talisman each report having nomination and compensation committees wholly comprised of independent directors.

Poison pill anti-takeover provisions are reported at five companies. In terms of good governance-related initiatives, Nexen has a corporate social responsibility Board committee which meets quarterly, and a senior executive committee of sixteen persons who meet to discuss health and safety, environment, security, corporate policy, and public policy issues. Devon and Syncrude – the two companies not majority owned in Canada – do not have separate executives filling the positions of CEO and Chairman. In terms of renewing appointments for director nominees, only EnCana and Nexen report limits on consecutive tenure terms.

With added momentum since 2002, there have been a number of minority shareholder resolutions tabled at these companies' shareholder annual general meetings in Canada. In 1998, Talisman refused to circulate church and investment fund proposals, and its annual shareholder meetings since have heard heated representations from those groups. EnCana has been criticized in such proposals for health problems associated with dumping of petroleum camp garbage in Ecuador, as well as alleged harassment and violence from its security personnel and the military in the Amazon jungle.

Environmental Management and Performance

Companies whose business involves exploring for, developing and transmitting oil and gas might be expected to have state-of-the-art environmental management and reporting processes. This is referred to as an environmental management system (EMS). For many of these companies, EMSs are still a work in progress.

ETHICAL PERFORMANCE OF INTERMEDIATE OIL & GAS COMPANIES (CONT'D)

	CNRL	COMPTON	DEVON CANADA	ENCANA	NEXEN	PENN WEST	SYNCRUDE	TALISMAN
Environmental Performance								
Environmental Audit Team	Internal & Ext	No info	Internal & Ext	Internal & Ext	Internal & Ext	Internal	Internal	Internal & Ext
Commodity Types Recycled (#)	No info	No info	No info	Yes, 8	Yes, at least 9	No info	No info	No info
Disclosure of Quantities Recycled	No	No	No	No	No	No	No	Partial
Workplace Recycling Program	Yes	No info	Yes	Yes	Yes	No info	Yes	Yes
Environmental Awards	2	0	3	2	4	0	0	1
Convictions, Last Ten Years	Nil	No info	2, at least $10,500	At least 2, $5000	9, $142,940	At least 1, $2,000	No info	Nil
Waste Reduction Program	No info	No info	Yes	Yes	Yes	No info	Yes	Yes
Demands Made of Suppliers	No	No	Yes	Yes	Yes	No	Yes	Yes
Donates to Environmental Organizations	Yes	Yes	Yes	Yes	Yes	No	No info	Yes
Report Emissions Intensity	No	No	Yes	No	Yes	No	No	Yes
Expenditures for Rehabilitation	$ n.k.	$75 mil	$20 mil	$ n.k.	$15 mil	$ n.k.	$ n.k.	$25 mil
Employee Relations								
Employment This Year Canada	3,700	225	1,400	3,295 *(9)*	1,670	990	4,525	1,610
Employment This Year Worldwide	3,700	225	4,680	4,545 *(9)*	3,685	990	4,525	2,390
Change Canada, Last Five Years	No info	No info	No info	No info	1,095	No info	520	435
Percentage of Workforce Unionized	Nil	No info	Yes, 2%	Nil	Yes, 27%	Yes, 3%	No info	Yes, 2%
Number of Strikes, Last Ten Years	Nil	No info	Nil	Nil	Nil	Nil	No info	Nil
Disclose Training Budget (Avg./yr.)	Yes, $1,000	No info	No info	No info	Yes, $1,500	Yes, $1,500	5-7% payroll	Yes , $1,500
Profit Sharing with Employees	No	No	No	Yes	Yes	No	No info	Yes
ESOP Contribution by Employer	15%	No info	No info	No info	50%	60%	No info	5%
Retraining/Relocation in Case of Layoffs	No	No	No	Yes	Yes	No	No info	Yes
Gainsharing Programs (Yes/No; #)	Yes, 2	Yes, 1	Yes, 2	Yes, 3	Yes, 3	Yes, 2	Yes, 2	Yes, 3
Annual Staff Turnover Rate (Percentage)	No info	No info	No info	No info	5.7	No info	8.6	6.5
Health & Safety								
Separate EHS Report	No	No	No	No	Yes	No	No *(5)*	Yes
Disclose Health & Safety Statistics	Yes	No	Yes	Yes	Yes	No	No	Yes
Fatalities, Last Five Years	Not reported	Not reported	Not reported	Not reported	7	Not reported	Not reported	9
Policy on Web-Site	No	No	Yes	No	Yes	No	No	Yes
Progressive Staff Policies								
Employee Assistance Programs	Yes, 2	No	Yes, 1	Yes, 4	Yes, 4	Yes, 2	Yes, 3	Yes, 7
Health Promotion Programs	Yes, 4	No	Yes, 1	Yes, 4	Yes, 4	No	No	Yes, 5
Employee Newsletter	No	No	Yes, 4/yr	No longer	Yes, 4/yr	No info	No info	Yes, on-line
Child/Elder Care Support	No	No	No	No	Yes	No	No	Yes
Same Sex Benefits	Yes	No info	Yes	Yes	Yes	Yes	No info	Yes
Refund on Book & Tuition ≥75%	varies	No info	Yes, 100%	Yes, 100%	Yes, 100%	Yes, 100%	No info	Yes, 100%
Internal Communications Programs	Yes, 3	No info	Yes, 1	Yes, 5	Yes, 6	Yes, 1	Yes, 4	Yes, 5
Scholarship for Employees	Yes	No info	No	Yes	Yes	No	No info	No
Scholarship For Employees' Children	No	No info	Yes	Yes	Yes	No	No info	No
Sourcing and Trading								
Policy on Canadian Sourcing	No	No	No (source locally)	No	No	No	No	No
Require Contractor/Supplier to Sign off	No	No	No	No	Yes	No	No	Yes
Foreign Sourcing Code	No	No	No	No	Yes	No	Not applic	No
Policy Against Sourcing in Repressive Regimes	No	No	No	No	No	No	No	No
Signs International Labour Standards	No	No	No	No	Yes	No		No
% Canadian Sourcing	No info	No info	27%	No info	42%	No info	90%	No
Active in Repressive Regimes	Angola, Gabon, Ivory Coast	No	China, Egypt, Equatorial Guinea	UAE, Yemen, Oman, Qatar, Colombia	Colombia, Yemen Nigeria	No	Not applic	Vietnam, Colombia, Qatar
Independent Monitoring	No	No	No	No	No	No	No	No
Disclose Foreign Operations	Yes	Not applic	Yes	Yes	Yes	Not applic	Not applic	Yes
Sensitive Business Activities								
Chemical Plants (Canada, foreign)	Not reported	Not reported	Nil	1,1	2,2 *(8)*	Nil	2,0	Nil
Alcohol, Tobacco, Weapons	No	No	No	No	No	No	No	No

Notes:
(1) 2003
(2) All drilling in western Canada, though affiliate has assets elsewhere
(3) Business conduct annually, ethics awareness biennially
(4) Parent company
(5) Since 2002, combined with annual report
(6) Diversity (national) targets in Yemen
(7) Owners' representatives take on Board responsibilities
(8) Spun off into income trust
(9) 2005

Information for this comparison is drawn from year 2007 reports prepared by EthicScan Canada. Where performance is described as "No info," the company may have a salutary record, but the facts are not known to EthicScan researchers. The regular fact checking process involves corporate database reviews, interviews, and two requests that the company review, update and validate the major findings on file.

Research Prepared by Craig Barbisan

Only CNRL, Devon and Nexen report that their formal environmental policies, applicable to all subsidiaries, have been updated within the last five years.

Staffs at Devon, Nexen and Talisman make quarterly environmental progress reports to their Boards. Project reports deal with topics like flaring of waste gases, carbon dioxide capture, handling of contaminated soil, groundwater remediation, and matters of human and animal health. No company reports that it uses wholly independent audit teams to investigate pipeline corrosion, equipment failure, or soil contamination risks or problems. Five of eight companies have a Board environment committee. Transparency about these EMSs, especially at Compton and Syncrude, could be improved.

Companies maintain inspection programs with audits and field assessments, including measuring liabilities due to eventual decommissioning and reclamation of field operations. Today, five firms report routinely using external or independent experts on operational facility EHS audit teams. CNRL, Devon, EnCana, Nexen and Talisman report details about the number and classification of full time environmental staff. They did so also in 2004.

None consistently discloses quantities of all wastes recycled. Since 1997, Nexen has issued ten separate EHS reports – the comparable numbers at Syncrude and Talisman are four and seven, respectively. Syncrude combines its sustainability report with its annual report

The grading table on page 35 shows a gap between environmental management (mostly D) and performance (mostly E) scores. Companies face challenges such as air emission controls, potential groundwater contamination, the costs of well site reclamation, and liability for orphan or inactive wells. Some companies are major air polluters. Syncrude is responsible for 2.9% of all of Canada's combined releases of air pollution – including one million kilograms annually, both of sulphuric acid and ammonia. Its Mildred Lake plant site (the largest GHG emitter in Canada) is the most polluting industrial site in Alberta, a province which has 10% of Canada's population, but 25% of our air pollution.

There are laudatory activities. Devon, Nexen and Talisman publicly disclose energy intensity data. Compton, Devon, Nexen and Talisman document expenditures for rehabilitation, including well abandonment and relocation costs. Five companies report that they extend their principles by making environmental demands of their suppliers. CNRL and Talisman report no environmental fines. Donations to environmental groups are noted at CNRL (World Wildlife Fund), Compton (Ducks Unlimited), Devon, EnCana (Alberta Ecotrust Foundation), Nexen and Talisman. EnCana and Penn West report investing in cogeneration facilities, whereby electricity is generated from waste gas. CNRL reports on flaring gas conservation programs, increasing tank heater efficiency, emissions trading, and using no-emission chemical injection pumps.

Acceptance of zero cap GHG emissions and carbon emission trading systems face corporate resistance. There are few corporate-wide commitments for annual emissions reduction targets at every facility. Executives at EnCana, Nexen and Talisman have spoken out publicly against Canada endorsing the Kyoto protocol on GHG emissions. Nexen's CEO cautions against singling out the oil patch for action on air pollution, and EnCana's head argues that decreasing GHG emissions will hurt consumers.

CNRL and Nexen engage in emissions trading – in Nexen's case credits go to the Rio Bravo Carbon Sequestration Project in Belize. Few companies publicly commit to comprehensive adoption of new technology (acid gas injection) that could eliminate the need for natural gas flaring and venting at sour gas processing facilities. Most are not specific about whether local or international standards take precedence when local standards are less stringent.

IPIECA has introduced voluntary sustainability reporting guidelines in 2005. As Table 1 on page 36 shows, a select few companies have made progress toward acceptance of this and other global best practices. Nexen and Talisman – both Platinum CAPP Stewardship Program members – experiment widely with applying standards like ISO, the United Nations Global Compact, IPIECA, and the new GRI G3 disclosure principles. Within CAPP's Stewardship Program, Devon, Nexen, Penn West Petroleum, and Talisman rate Platinum, CNRL and EnCana rate Gold, and Compton only Silver. Syncrude wouldn't reveal its grade. The DJSI includes Nexen (since 2001) and Talisman (since 2006).

FLARING OR VENTING OF GAS

Flaring is a process where companies burn off large amounts of natural gas. It can last for several days, sounds like a rocket, looks like a giant flamethrower, and can shake nearby homes. Flaring and venting are serious problems for human and animal health, quality of life, and leisure or retirement industries as well as environmental pollution at more than 5,000 well sites in Alberta. Enough gas is flared in Alberta to heat Calgary year round. The topic, and progress thereon, is rarely profiled in corporate reports.

Total GHG emissions among 54 CAPP members have increased 60%, from 47.8 million tonnes in 1999 to 81.5 in 2002. Over that period, total production volume has increased 70% from 553.4 to 790.6 thousand metres of oil equivalent per day. Between 2005 and today, there have been increases – not decreases – in air releases of nitrogen oxide, particulate matter, carbon dioxide and mercury. Individual companies emit millions of tonnes of carbon dioxide annually. No energy company, either individually or as a CAPP member, has targeted the complete physical separation of carbon dioxide, the largest GHG.

Employee Relations

Workforce numbers range from fewer than 1,000 at Compton and Penn West to more than 2,500 at CNRL, EnCana, Nexen, and Syncrude. One third of U.S. headquartered Devon Energy's employees work at Devon Canada. Between 50-66% of Canadian-based EnCana, Nexen and Talisman staff work in Canada. As Table 1 on page 47 shows, total staff numbers are stable, with the largest growth at Nexen and Talisman.

There is considerable indirect employment. For example, Syncrude's 4,525 person workforce is supplanted by 1,500 maintenance contractor employees and 8,500 indirect workers. Field operations typically combine employees and contract operators. Outsourcing, which is growing, can include accounting, computer and well site services. Collective bargaining is practiced at Nexen (27% of its total staff is unionized; and under 5% of staff at Devon, Penn West and Talisman). Strikes and walkouts are rare.

There is intense competition for labour, especially in the Fort McMurray area. Turnover rates are little changed from 2003. Annually they average from 5.5 at Nexen or 6.5 at Talisman to 8.6 at Syncrude, up from 5.5% in 2001. Companies like EnCana invest in community college programs to help ensure access to workers. EnCana, Nexen and Talisman apply retraining and relocation programs to avoid layoffs; in EnCana's case, this includes four day work weeks and site transfers. There is little job security in seasonal operations. Training budgets at Nexen, Penn West and Talisman average $1,500 per employee per year.

EnCana, Nexen and Talisman report various gainsharing programs, including profit sharing. Gainsharing, which involves giving employees a financial stake in the firm, takes various forms, some of which encompass all staff, salaried and union. Companies like CNRL, where employees own 16% of the company, have clear messages that having all staff as shareholders increases productivity. CNRL and Penn West contribute 15% and 60%, respectively, to the cost of allowable employee share purchases. The comparable figures at Nexen and Talisman are 50% and 5% respectively. Stock options for officers, directors and key employees are common.

Health and Safety

Health and safety are major challenges. Noise, chemical and radiation (naturally occurring radioactive material) hazards exist in the workplace. Rates of recordable injuries are higher for contractors than staff. Sector-wide, fatalities average more than two per company per year. Nexen and Talisman demonstrate the greatest transparency about health and safety policies, fatalities and accident rates. Several companies run first aid, hazardous materials and defensive driving training workshops.

Health and safety issues affect both the well-site (injuries, waste) and area residents (flaring, pollution). Starting five years ago, activists began bombing wells, slashing tires, and damaging equipment to protest against health risks of operations, notably in northern Alberta. They allege links between gas flaring and sulphur emissions with adverse reproductive effects (still births and deformities) in humans and cattle.

Progressive Staff Policies

Employee assistance programs (EAPs), which provide confidential counselling to staff and their families, are reported at all companies but Compton. EnCana's program includes alcohol, drug, retirement, job stress and family problems counselling. An estimated 13-18% of Syncrude's staff takes advantage of its EAP program. The broadest EAP program is seen at Talisman.

CNRL, Devon, EnCana, Nexen and Talisman report health promotion programs (HPPs). CNRL offers an on-site fitness centre, smoke cessation, wellness training, and drug benefits. In addition to these programs, the HPP at EnCana includes a fitness subsidy, and a current health status/balanced lifestyle program. Talisman's HPP includes lunch and learn clinics, corporate-sponsored marathons and outreach.

Typical internal communications programs include a corporate newsletter, employee surveys, monthly meetings with the CEO, and annual employee meetings. Other progressive initiatives include personal career development plans (Talisman), annual employee days (CNRL), annual innovation awards (Talisman), and as publishing the names of all staff in the annual report (CNRL). The broadest program is reported at Nexen.

Some practices are noteworthy. EnCana and Nexen offer scholarships not only to staff but also to their children. Talisman has more than 80 employees on flex plans such as part time, telework, or flexible schedules.

TABLE 1: EMPLOYMENT CHANGES AT INTERMEDIATE ENERGY COMPANIES

Energy Company	2007		2002	
	Canada	Total	Canada	Total
CNRL	3,700	3,700	No info	No info
Compton	225	225	100	100
Devon Canada	1,400	4,680	No info	No info
EnCana	3,295	4,545	2,860	3,855
Nexen	1,540	3,685	575	2,765
Penn West	990	990	785	785
Syncrude	4,525	4,525	No info	No info
Talisman	1,610	2,390	1,180	1,565

Sourcing, Trading & International Business

Conducting business in corrupt, repressive regimes presents reputation and security risks. Companies currently drilling or exploring in repressive regimes include EnCana and, to a lesser extent, Talisman, Nexen, Devon Energy, and CNRL. Typically, corporations carefully assess political stability, human rights abuses, and corruption indices of countries where they propose to operate. Nexen calls this its 'Above Ground Review' process. Its experiences in Yemen and Nigeria led to Nexen leading a group of companies in various sectors to develop an *International Code of Ethics for Canadian Business.*

Protecting drilling operations in zones of conflict can be challenging. Civil conflicts increase the incidence of abductions, threats of attack, and security payments. Talisman sold its Sudanese interests in 2003, but only after years of international criticism for its presence and indirect role there in human rights abuses. The Sudanese government was accused of funding anti-opposition warfare with oil profits. Likewise, EnCana has been criticized for alleged brutality practiced by its security personnel and the military in the Amazon jungle. Although it exited Libya in 2002, EnCana appears particularly vulnerable because of the number of volatile areas where it operates.

Companies like EnCana ask potential suppliers, contractors, consultants and service providers to accept and sign off on their policies and practices documents. Increasingly, ethical norms are being used by Talisman and others as criteria in procurement contracts, alongside more traditional measures like qualifications, timeliness, product and service quality, price and benefit. Typically, firms don't use independent companies to verify or certify compliance claims (human rights, fair wages or freedom of association) of suppliers or contractors. In 2000, Nexen pledged to an international standard, the United Nations Global Compact – in Yemen. This infrastructure commitment (with provisions for clean water, improved health and management of environmental waste) represents the first Global Compact initiative in an Arab state. So far, only Talisman has joined ranks in this pledge, among the eight businesses reviewed in this issue.

Partnerships with First Nations groups are another sensitive topic. Aboriginal groups have set up roadblocks at pumping or pipeline sites belonging to CNRL, EnCana, and other companies. EnCana's five year battle with the Stoney Band about natural gas production royalties resulted in a $6.1 million settlement. Beyond hiring, cultural awareness and vocational training initiatives are First Nations' demands for preferential hiring, equity participation, and vendor lists containing aboriginal-owned businesses to supply catering, drilling, lease preparation, and road building services. Of the eight companies reviewed here, EnCana, Nexen and Talisman appear to be most willing to discuss such aboriginal partnerships.

One such initiative is aboriginal ownership of rigs in partnership with exploration drilling. CNRL has two such working agreements (Bigstone First Nations, Athabaska Tribal Council). In addition, certain companies (Nexen is one) publicly support the Treaty Land Entitlement Framework Agreement which includes returning 1.9 million hectares of land and a willingness to negotiate property entitlement claims in good faith.

Grading and Candor

Nexen stands out with six leading scores, and tied in a seventh (see page 35). For publicly-traded companies, Compton and Penn West display unexpectedly low candor scores.

Conclusion

Companies face challenges in satisfying customers, a concerned citizenry, and governments that simultaneously demand solutions yet enact stiffer laws. Corporate support for communities in terms of philanthropy, employee voluntarism, transparency, and the public right to know merit attention. Key corporate responsibility concerns include employment equity, health and safety, environmental management, and overseas human rights.

FEATURE COLUMN

MediaScan, by David Olive

A National Securities Commission

Like lower corporate taxes and higher worker productivity, the need for a national security regulator in Canada seems to be an issue every financial media outlet can agree upon. Too bad that silver bullet is so elusive. For decades, provinces have refused to relinquish their local role in securities regulation, or countenance the emergence of an Ontario-dominated national regulator. Too bad, also, that a national regulator is no panacea for rooting out periodic misbehaviour in Canada's capital markets.

True, as champions of a Canadian national regulator say, we alone among industrial countries lack such a body. It's also true, however, that the existence of the U.S. Securities and Exchange Commission is small comfort to the investors in Enron, Worldcom, Adelphia and the like whose chronic accounting improprieties somehow escaped the SEC's notice.

Britain's highly regarded Financial Securities Agency, overloaded with a flood of new listings on the London Exchange from Central European countries, missed the many crises brewing at locally based energy giant BP PLC, where CEO John Browne was forced into early retirement after revelations about BP's unsafe workplaces, the corroded pipelines in Prudhoe Bay that jeopardized 8 per cent of America's domestic crude production, and U.S. probes into BP's propane-pricing and energy trading practices. Rather a lot to miss, one would think. Neither has Germany's national regulator covered itself in glory with its failure to see the trouble brewing at engineering giant Siemens AG, which is enmeshed in a corruption scandal of epic proportions.

Stuck in the always treacherous mire of federal-provincial relations, advocates of a Canadian national regulator have succeeded for years only in drawing attention away from more expeditious measures for protecting investors. The first is for provincial treasuries to bolster the resources of existing securities regulators so that they can follow up suspicious cases they currently sit on for lack of time and money that would buy more sophisticated investigatory tools. Provinces could also appoint aggressive commissioners to replace those who too often reject cases brought by zealous staffers, allow probes to drag on for years, and are genteel in meting out slaps on the wrist to offenders – hardly an example designed to purge the system of malefactors.

The second is for the financial media to think again about stoking undue euphoria by celebrating today's private-equity and hedge-fund managers, judging them by the number of corporate prizes they've bagged and up-front fees they've reaped, rather than the soundness of their highly leveraged deals which could sour in the inevitable next economic downturn.

You'd think we'd have learned our lesson by now, having earlier fawned over the geniuses who invented the sub-prime loans that inflated the U.S. housing bubble. Many currently are in bankruptcy court along with the former owners of defaulted-upon homes now that the bubble has collapsed. Which exuberance followed, of course, on the irrational pricing of dot-com and tech stocks before that bubble burst in 2000-01.

A new national regulator could be a useful extra set of eyes. But no amount of regulation or media scrutiny can adequately protect investors from corporations intent on cutting ethical corners. Ultimately, businesses and the people who run them will consistently take the high road simply because it's in their self-interest. If corporate directors who've placed integrity at the top of their agenda aren't able to make their firm understand that, their mass resignation will signal (as no regulator or investigative media report can) that this is a firm deserving of a wide berth from investors.

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THE CORPORATE ETHICS MONITOR
ISSN 0841-1956

SUBSCRIPTIONS
The Corporate Ethics Monitor is published 6 times a year by EthicScan Canada Limited. Rates: Canada: $297.00 per year + GST ($314.82) or $797 + GST ($844.82) for three years. One year foreign: US $300. Additional subscriptions to the same address are $10 per year. Back issues: $25.00 each or $297.00 for last three years (18 issues).

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The *Corporate Ethics Monitor* is printed in Canada on 20% post-consumer recycled stock.