

News Release

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Corporate sustainability reporting remains an issue for Canadian companies: PwC and FEI Canada Study

Only half of financial executives surveyed have an effective strategy for managing CSR issues

TORONTO, March 11, 2009 — An overwhelming majority (90%) of Canadian senior financial executives consider reporting on the environmental and social impacts of their companies to be important. A large proportion of responding companies (72%), according to a new survey from PricewaterhouseCoopers LLP (PwC) and the Canadian Financial Executives Research Foundation (CFERF), the research institute of FEI Canada (FEI Canada), also claimed that their company understood which sustainability issues were most relevant to achieving their business goals. However, when asked if there was an effective strategy for managing these issues, only half of respondents reported that they had one in place.

Similarly, almost all (92%) senior finance executives felt that it was important to communicate sustainability performance to senior management and the Board, while at the same time, over half admitted that they did not have an effective system and process in place for periodically measuring sustainability performance. Again, when asked if this same information should be periodically reported to shareholders, employees and external stakeholders, most agreed that this was important. However, over half (55%) admitted that their companies did not have an effective system in place to enable this type of reporting. Indeed, most respondents (78%) believe that the average investor does not have enough information about the sustainability performance of Canadian companies.

“Several forces may be working together to explain the disconnect.” says Mike Harris, PwC partner and leader of the firms Sustainable Business Solutions practice in Canada. “First, a general framework does not exist for measuring and reporting, making comparisons between industries a challenge. Second, many companies have not developed robust data collection systems to make the reporting process efficient and reliable. Third, most finance executives continue to only focus on the mandatory

financial disclosures and finally, the cost/benefit of optional sustainability reporting does not provide support for the types of systems and process required to effectively implement it. Until sustainability reporting is mandatory, this is likely to remain the norm.”

According to the survey, larger companies were more likely to link the application of corporate sustainability practices to business goals. For instance, when asked if management understood which sustainability issues were most relevant to its business goals, 79% of respondents from companies with revenues between \$1 billion to more than \$20 billion replied affirmative compared with 69% of companies with revenues of less than \$1 billion. Furthermore, when asked if companies comply with external reporting standards such as the Global Reporting Initiative (GRI) and the Greenhouse Gas Protocol (GGP), nearly double (30%) of respondents representing public enterprises answered affirmative versus 17% of private companies.

Companies also felt challenged in compiling data in a cost-effective manner that would accommodate a broad spectrum of stakeholders, from employees, shareholders, customers, institutional investors, reporting regulators to environmental activist groups. Furthermore, companies are concerned with the costs associated with sustainability reporting, specifically for small to medium-sized enterprises (SMEs).

When it comes to industry sectors, reporting practices vary by the extent to which each are locally and federally regulated and the extent to which they emit pollutants into the environment, such as oil and gas, or hydro-electric power generation.

The four largest responding groups in the survey, professional and scientific and technical services, manufacturing, finance and insurance, and mining and oil and gas extraction demonstrate these differences. When asked if their companies had developed an effective strategy for managing sustainability issues relevant to their business goals, over 50% of respondents in the mining and oil and gas sector, as well as the manufacturing sector said that they had, compared with 41% in finance and insurance and 33% in professional services.

While many executives in these industries did not necessarily feel that their environmental strategies were fully developed, the vast majority felt that it was important to periodically measure and report on their sustainability performance to the board. This was true for over 90% of all respondents from the professional services, manufacturing and mining and oil and gas sectors. However, only 81% of senior finance executives from financial services felt that they should report on these matters to their board of directors.

The survey results clearly indicate that the vast majority of financial executives polled believed that regulatory requirements pertaining to sustainability disclosure and reporting will increase in the years to come and nearly 75% of the survey respondents (74% of CFOs based on 74 responses) believed that

legislation relating to disclosure and reporting of sustainability performance will become more stringent over the next five years.

“For many senior financial executives participating in this study, the future development of corporate sustainability reporting in Canada depends on the establishment of a standardized reporting framework developed around industry-specific Key Performance Indicators (KPIs),” says Ramona Dzinkowski, executive director of CFERF. “Ultimately, the CFO has, and will continue to have, a major role to play in driving the corporate sustainability agenda of Canadian corporations.”

Survey Methodology

The Corporate Sustainability Reporting – Executive Research Report was prepared by the Canadian Financial Executives Research Foundation (CFERF), the research institute of FEI Canada and was sponsored by PricewaterhouseCoopers (PwC). It comprises the results of a survey conducted of 343 senior financial executives across Canada as well as the insights of individuals who participated in an Executive Research Forum.

Just under 50% of the survey respondents represent enterprises with annual revenue of \$250 million or less, with the remainder being companies with revenues ranging from \$250 to more than \$20 billion.

For more information, please visit www.pwc.com/ca/sustainability.

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