



***CORPORATE SOCIAL RESPONSIBILITY:
WHY IT MAKES
GOOD BUSINESS SENSE***

*BONNIE D. DuPONT
GROUP VICE PRESIDENT, CORPORATE RESOURCES
ENBRIDGE INC.*

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Thank you.

It's always a pleasure to be able to address a WXN function, and I appreciate the invitation.

I am going to speak this morning about Corporate Social Responsibility – or CSR for short. What it is. Why it's important – specifically why it's good business. And why I believe all organizations need to embrace CSR and make it an integral part of our businesses.

WHAT IS CSR:

Let's start with what CSR is.

I continue to see a lot of change happening in the business environment today. More and more, companies are moving away from the old edge-of-the-envelope business practices that too-often landed them in hot water, and moving towards a greater emphasis on long-term growth and sustainability.

In prior years, companies have traditionally assumed that they only had to deal with two groups that regulated their actions – the marketplace and governments. In fact, there has always been a third and more important regulator – civil society. Companies have always existed only by public consent, and that has never been truer than it is today.

However, some organizations continue to debate about where a company's first allegiance should be, to shareholders or to other stakeholders. Is a company in business only to make money, or is it there to provide goods and services to customers, and jobs and benefits for the communities where it operates? Is it right to focus just on the bottom line, or are there social responsibilities that should come first?

It's no secret that corporate social responsibility is one of those topics – like the Flames versus the Oilers, or federal politics – that raises passions both for and against. To CSR's proponents, encouraging companies to do more than the law demands to create a better society is a strong push for good. To its opponents, this is dangerous thinking because it distracts companies from their true role in the marketplace – which is maximizing profits while working within the rules of the law.

I believe the answer is the same as it has always been – companies must wear both hats. A company that doesn't make money can't stay in business, and therefore can't support community causes and do the things a good corporate citizen should do. And a company that pays no heed to its community responsibilities isn't going to have the public consent it needs for long. It has to be good at doing both.

Today, segments of our society are more skeptical and more vocal than ever about the motives of business. It's not uncommon for groups and individuals to question the integrity of our organizations, and to demand more and more transparency.

On the other hand, today, more investors than ever are ready to put their money where their values are – to punish us when we behave badly, and reward us when we behave the way they think we should behave.

Accelerating this trend are increasingly powerful and influential special interest groups. A few years ago, companies might have tried to just ignore them, but we can no longer afford to do so. You simply can't run the risk of having them react with boycotts, slick PR campaigns, protests and shareholder resolutions.

At Enbridge, we believe Corporate Social Responsibility is the right way to do business. We believe that one of the cornerstones of our current and future success is our commitment to CSR.

There are a lot of definitions of corporate social responsibility out there right now. At Enbridge, we see it as how we relate to others in areas such as the environment, safety, governance, human rights, community investment and stakeholder engagement.

We have an explicit set of corporate values, which includes integrity, accountability, innovation and flexibility, value creation and social responsibility. By conducting our activities within these basic values and within our own Corporate Social Responsibility policy, we believe we can fulfil commitments to all of our stakeholders, including our shareholders. And it is in this setting that our performance is evaluated against public expectations. We want – and expect – to be judged by the full range of our business conduct, including how we are carrying out our role in society.

The key is to look at CSR as an investment rather than an expense. At Enbridge, we believe that business thrives where society thrives. They are not separate entities. For us, corporate social responsibility is the human face of business.

Commercial success is no longer the sole measure for a business. Our impact on society – whether it's good or bad – is also taken into account. So our commitment to social responsibility is essential to our long-term competitive advantage. Simply put, a sustainable enterprise is one that is built for the long-term.

In 2004, we developed a Corporate Social Responsibility Policy. This policy applies to activities undertaken by, or on behalf of, Enbridge and our subsidiaries anywhere in the world. We use our CSR policy to define and monitor how we relate to those who influence our business success. Our plans are laid and decisions are made that meet business goals while protecting the future ability of the corporation to operate. Such decisions combine economic realities with the social and environmental considerations that ensure longevity.

There is a simplistic view that says a business case can be made for integrating CSR principles into company practice only if there is clear quantitative evidence that it is creating value. But social responsibility and sustainable development often involve addressing complex relationships, where benefits may be indirect or intangible. They also involve looking beyond current market conditions and defining strategic options that do not lend themselves to traditional forms of business evaluation. It is not always possible to demonstrate 'cause and effect' in standard business terms.

There are, nevertheless, many excellent reasons for improved company performance in ethical, environmental and social dimensions. At Enbridge, we believe our commitment to CSR helps us achieve our licence to operate and our business objectives.

THE BUSINESS CASE FOR CSR:

So let me turn now to why CSR is, in fact, just good business. I will do this by addressing four ways that our businesses benefit from such CSR activities. The four are in the areas of reputation and risk management, attracting and retaining people, regulatory approvals, and economic performance.

1. Reputation and risk management

First is reputation and risk management.

Acting with honesty and goodwill is really just common sense, but that's sometimes hard to find. Just ask former Enron investors.

But honesty and goodwill are the basics of a solid relationship with all stakeholders. And that's important for business success because you are only as good as your reputation. You can't succeed in any business if you're fighting every step of the way – whether it's to build a pipeline or sell a new product.

One of the main reasons that strong corporate responsibility practices benefit shareholders is that they build up goodwill that can reduce the risk of incurring significant costs and loss of reputation in the event of a social or environmental mishap.

A Conference Board survey of senior executives in 2000 found that 92 per cent felt that the issue of reputation management had increased in importance over the previous five years, and 98 per cent predicted it would become even more important in the following five years. And that survey was before the Enron scandal.

Reputation helps determines whether we will have access to the resources and capital we need to grow, and whether we will get sufficient return on the investment of that capital to make us a competitive enterprise. If we don't protect our reputation through the rigor and discipline of a corporate responsibility policy, we may not have a licence to operate.

2. Attracting and retaining people

The second benefit is in attracting and retaining talent to maintain competitive position. This is becoming a critical strategic need for companies, and there are many indications that strong ethical, environmental and social performance helps attract new employees, who want to work for companies whose values align with theirs. And it does influence levels of employee satisfaction, performance and retention.

For example, one recent study by Fleishman-Hilliard found that 87 per cent of European employees would increase their loyalty to a company if it were seen to be involved in activities that help improve society.

While we at Enbridge feel that we have a solid people strategy in place – one that will go a long way towards attracting new talent – we also believe this issue can be addressed through mentorship programs and new ways to support and recruit students during the earlier part of their post-secondary education in an effort to gain their commitment to Enbridge once they graduate.

Today's students have choices, and they have different needs than the baby-boomers. Helping students gain their education, demonstrating our commitment to people and that we can meet the needs of the younger generation, and demonstrating that we are a socially responsible organization are all large factors in whether the best people will choose Enbridge – and stay with Enbridge.

3. Regulatory Issues

On the regulatory side, projects can be delayed or approvals not granted. And that can spell disaster for an organization.

Regulators increasingly look to corporate responsibility policies to determine a corporation's intention to operate in a socially responsible way.

And, in fact, community consultation, environmental assessments and mitigation, and socio-economic benefit planning are all prerequisites to applying for regulatory approval of projects today – and those are all elements of CSR.

Let me give you a practical example. Guided by our CSR policy and our values, we are striving to build sincere and open dialogue with indigenous peoples. As part of the consultation process in support of our proposed \$4 billion Gateway pipeline to link Alberta's oil sands to a port on the B.C. West Coast, we began more than three years ago to work and consult with 70 First Nations and Metis communities.

The right-of-way of our proposed Gateway pipeline runs through the lands of these First Nations, and part of our discussions have focused on opportunities for Aboriginal employment and capacity-building during construction and operation of these pipeline facilities.

But in addition to direct capacity-building initiatives, we have invested in other ways to help build other forms of Aboriginal "capacity".

Enbridge, in partnership with the Dominion Institute, launched two national projects that create opportunities for Canadian Aboriginal writers to revisit historic events in Canada's history.

The first national project was the launch of *Our Story* in 2004. *Our Story* is a book of short stories featuring nine leading Canadian Aboriginal authors who were invited to write about a defining moment in Canadian history and its significance on First Nations peoples.

The purpose of this partnership was really two-fold: to focus on Aboriginal stories from points of time in history, and to help us build relationships with key stakeholders in communities where we do business.

The launch of the book was combined later in the year with the announcement of the Canadian Aboriginal Youth Writing Challenge, which provides an opportunity for Aboriginal youth across the country to write a story about a defining moment in history and have their voices heard. In addition to encouraging their creativity and talent, the competition and the resulting stories will help all Canadians learn about their history.

All of this relates to our efforts to gain regulatory approval for a major project. But it is also about doing it the right way – building relationships and working cooperatively with stakeholders who have a legitimate need to be part of the process.

I think it's a good example of how corporate responsibility is not something additional or peripheral to the primary purpose of being a good and profitable business. It is an integral part of the way we do that business.

4. Economic performance

Finally, let me address the question, *Do socially responsible companies perform better financially?* This has been described as the statistical Holy Grail: eagerly sought, but always somehow out of reach. But, rest assured, there is evidence emerging.

A report was recently published by the Social Investment Forum on socially responsible investing trends over the past ten years. The report concluded that socially responsible investments rose a staggering 258 per cent from \$639 billion in 1995 to \$2.3 trillion in 2005. The study also found that nearly one out of every ten dollars under professional management in the United States today is involved in socially responsible investing.

In Canada alone, socially responsible investments have grown 27 per cent in two years to over \$65 billion.

There are a growing number of socially responsible and sustainability investment indices tracking the financial performance of leading sustainability-driven companies worldwide.

Many of these indices continue to report results indicating their investments outperform mainstream markets financially. Such outperformance bolsters the business case for considering sustainability in investment decisions.

It also raises a “chicken and egg” question. Which comes first: sustainability success or economic success? The answer, for companies on these indices, seems to be that the two go hand in hand: the companies are successful because they are sustainable, and because they make money. Not just one or the other.

If these stats, studies and numbers tell us one thing, it's that we need to continually think about CSR as an integral part of what we do.

And there's another reason why it has to be integral to our businesses. Because the financial world now insists on it.

In June 2004, 20 of the world's largest investment companies launched a program in partnership with the United Nations *Global Compact* seeking to make the consideration of social and environmental issues – including human rights and climate change – part of mainstream investment analysis and decision-making.

In a news release announcing this initiative, the companies stated that: “Investment companies, which contribute the fuel to the global economy, increasingly recognize that analyzing the corporations they recommend and invest in on the basis of social and environment issues must be central in their work. It is clear that in today's world, businesses that ignore issues such as human rights abuses, poor working conditions and climate change risk doing so at their own peril. They are exposed to lawsuits, damage to their reputations and can even lose their ability to operate in important markets.”

It doesn't get much plainer than that. Corporate social responsibility must be integrated into the business management process itself. It must be a core consideration in the way that managers and employees make business decisions. Ethics and integrity standards must be bred from within companies.

Why? Because it's the right way to do business in today's global economy.

MEASURING CSR SUCCESS:

Among the companies that are leaders in adopting corporate responsibility, some see it as a way to pursue competitive advantage, and some see it as a way of achieving business success without compromising integrity. But few see it as a purely altruistic strategy – which is why most companies do want to develop evaluation and measurement tools that will enable us to better quantify the success of CSR programs. We know we have to do them, but if we could measure our success we could refine the way we do CSR to make more effective use of the dollars we're spending.

Many tools are already available to help companies identify the environmental and social impacts associated with their business activities. There are also widely-used tools for assessing business performance. Few, however, appear geared towards linking the two activities.

In 2005, Enbridge signed on as one of 10 founding members of the London Benchmarking Group Canada. LBG Canada is a member-driven association working toward a higher standard in the management, valuation and performance measurement of corporate community involvement. Through the LBG model, Enbridge hopes to be able to value community contributions consistently and maximize the impact of our corporate community involvement programs.

LBG is a structured process that includes goal-setting, clarity on the investment required to achieve a desired outcome and then performance measurement of the result. We have adopted this approach to enhance our ability to demonstrate the value of our work to key internal and external stakeholders, and to communicate our achievements more effectively.

IN CONCLUSION:

Just as important, though, is the continued need to talk with stakeholders – and any other interested party – about what we’re doing to contribute to society.

At Enbridge, we have had considerable third-party validation that we are doing a lot of CSR things well. We’re on the list of the Global 100 Most Sustainable Corporations in the World. We’re on two lists of Canada’s Top 100 Employers. We consistently rank well in corporate governance listings, and in assessments of excellence in corporate disclosure.

But we know we must always strive to be even better, and to do that we need to listen to constructive criticisms, not just praise.

We know we have to do a better job of communicating our story – that our end goal is not just about ‘making money.’ It’s also about being a good citizen and contributing to the communities where we live and work.

So I challenge everyone here today to become a champion for Corporate Social Responsibility within your organization, and to ensure that your organization has, or develops, a commitment to CSR.

This is a critical moment for businesses to step up to the plate, to articulate our corporate and social aspirations, and to be transparent about our performance in areas that go beyond our financials.

We all need to make the commitment – because it's the right thing to do. And because it's just good business.

Thank you.