THE CORPORATE ETHICS MONITOR

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Communicating Ethics

Over the last three issues we have been profiling communications media, whether newspapers, television, internet, movies or radio. As businesses, they support open communication. A common element in their industry codes is support for a free press. This means not only open reporting of social issues, but also candor about their own business. While companies in the printing and publishing and telephone sectors scored 78% and 70% respectively on *The Monitor* Candor Quotient (see p. 72), companies in the other sectors answered only from half to two thirds of our questions.

Worse still, few media subscribe to any formal ethics code. Absent such a commitment, media claims to professionalism seem self-serving. Real professions, like medicine and engineering, monitor and police member compliance of their codes. Some media ethics codes call on editors and journalists to censure colleagues if they violate journalistic standards. This has happened, but rarely, and usually only after the problem, such as faked reporting, has become an open scandal. Editors and journalists are in fact notorious for refusing to correct mistakes, until pushed, and even then they give little space to corrections, in contrast to the erroneous headline story that prompted the correction. When people challenge the accuracy, balance, impartiality of reporting, journalist freebies, or hidden interest conflicts, media representatives tend to respond defensively and complain that freedom of the press is being threatened.

One often detects a lack of balance in reporting public issues, as in the U.S. right wing media treatment of liberals and democrats, and mainstream treatment of social democrats and environmentalists. In fact one can easily find an ideological bias against government – which was admitted openly by as great an editor as Ben Bradlee himself. This underlies the commonly hypercritical and unfair treatment of people in public office, often for petty offences. The consequence is that many good people will not even let their name stand for office.

Complex political, economic and environmental stories are misleadingly framed as simplistic, black/white situations. Similarly, multi-sided stakeholder views, for instance on abortion and euthanasia (as in the Terry Schiavo case), are reduced to two-sided pro/con debates. When such practices are questioned, the common media reply is that they increase circulation or viewership.

In fact, the media ethics literature is full of instances of dubious media practices, such as the well-known media bias for bad news over good. More play is given to a politician's personal foibles, partisan squabbles and scandals than to the achievements of governments in terms of bills passed and programs implemented. That is deemed boring. On the contrary, sensational crime, accidents and disaster stories sell newspapers; for 'If it bleeds, it leads.' Even worse is the repugnant journalists' habit of pouncing on some poor hapless disaster victim. How often have you heard, say, a parent who has just lost their whole family

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Ethical Performance Comparison

Media & Communications Companies: A Summary

This essay presents results of one of the most comprehensive reviews of corporate responsibility in Canada's media and communications sectors. It integrates findings from six different sub-sector reviews that were reported in three issues of *The Monitor* earlier in 2006. This summary addresses findings on governance, corporate responsibility and risk management for all 43 companies.

Cable television and specialty channel business companies are federally or provincially regulated. That oversight is strongest in the radio and television broadcasting and telephone business, and less so for newspapers, music distribution, internet content, and video rental. Convergence – or the integration of broadcast, publishing, and the production of television content – has spurred major mergers and consolidation in the last few years. At the same time, convergence has not yet led to either consumer price reductions or cross-media consolidation, as some observers had originally forecast.

For much of the last thirty years, a radio or television licence or a newspaper franchise represented a license to print money. When smaller media failed or were acquired, the customer landscape was ripe for more creative entrepreneurs who offered successful, particular mixes of content, whether entertainment, news, or culture. While licensees are businesses, they have two major public responsibilities: The first is to report the news accurately and honestly; and the second is to reflect local and Canadian values, shape our culture, and promote inter-regional understanding (see the Corbett, Robins, and di Norcia opinion pieces in the Open Forum section of this issue).

Of the 43 companies reported on here, fewer than ten are privately held. Of these, half are Canadian (such as the Gesca, MLSE, and St Joseph Corporation). Another small number (such as the CBC and Sask Tel) are publicly owned. Fifteen of the 43 have no significant foreign operations. Companies founded here in the publishing, telephone, broadcast and multi-media sub-sectors remain both publicly traded and headquartered in Canada, with a few exceptions (such as Hollinger). By contrast, entertainment and telecommunications/internet companies are typically American-based, and more international in operations.

Management Practices & Consumer Relations

Executives at these companies speak about such public responsibilities as freedom of expression, journalistic and broadcasting integrity, airing debates on significant regional and national issues, and support for consumer privacy. As such, they could be expected to support corporate practices that encourage and reinforce ethics. Unexpectedly, nonetheless, few of the companies reviewed here report a comprehensive, best practices approach to ethics guidance, training, reinforcement and reporting.

Twenty-nine of 43 companies (67.4%) have a written code of ethics. Twenty-three of these have updated theirs within the last five years. Fewer than three quarters of the companies with codes (21 of 29) post their responsible business practices code on their web-site.

Ideally, ethics code education and reinforcement should be part of the performance evaluations of managers and employees. However, only nine companies report formal ethics training of staff. In only two cases is this recurrent, annual and on-line. Indeed, whistle blower or complaint protection is mentioned by only fourteen companies. At fewer than half of the companies is there either an employee sign-off on the code (18 of 43) or an ethics ombudsperson/hotline (14 of 43).

Media, entertainment and communications companies or operating units often have adopted specific policies on gifts, conflict of interest, privacy, or related themes. Overall, however, many self-impose limits to corporate training on, and reinforcement of, ethical practices. None reports conducting an independently verified social or ethics audit of operations. Companies don't report on compliance with industry codes like the Radio and Television News Directors Association of Canada code of ethics involving broadcast journalism, or the Canadian Association of Broadcasters' code of ethics, revised in June 2002, or companion codes addressing violence on TV, sex role portrayal for television and radio programming, and advertising to children.

Business practices have been criticized. Investors and judges have questioned executives about the probity of financial records at companies like Hollinger, Livent and Nortel. CanWest has been criticized for centralizing editorial, call centre, and other activities, as well as failing to keep its print and television newsrooms separate. Public interest groups have attacked companies for alleged unfair billing practices (Rogers Communications), unfair labour practices (CanWest Global, Quebecor), and self dealing not in the interests of shareholders (Great Canadian Gaming, Shaw Communications).

Today, three groups of companies exercise a virtual monopoly over what the majority of Canadians watch, listen to and read. The three are Quebecor/TVA Group, CanWest Global/Hollinger/*The Financial Post*, and BCE Inc/CTV/*The Globe and Mail.* Media concentration is a hotly debated issue in this sector,

TABLE 1: HIGH RANKING WOMEN AT VARIOUS MEDIA AND COMMUNICATIONS COMPANIES

Women as Proportion of Total		Media & Communications Sub-Sector						
		Publishing	Telephone	Broadcast	Entertainment	Multi-Media	Telecom	Total
Directors	#	8 of 86	14 of 71	10 of 77	7 of 62	7 of 60	7 of 69	53 of 355
	%	9.3	19.7	13.0	11.3	11.7	10.1	14.9
Executive Officers	#	17 of 78	8 of 45	7 of 65	12 of 60	7 of 42	11 of 61	62 of 351
	%	21.8	17.8	10.8	20.0	16.7	18.0	17.7

Source: EthicScan Corporate 1500 Database further exacerbated with Bell GlobeMedia acquiring CHUM, Torstar investing in Bell GlobeMedia, and Rogers acquiring Fido and the Rogers Centre.

Equity and Family

As Table 1 suggests, on average, one in seven directors is a woman. In terms of Board members, companies with the highest numbers of female directors are the Canadian Broadcast Corporation (6 of 16), Corus (5 of 10), SaskTel (5 of 12), Northwestel (3 of 8) and SaskTel (5 of 12). By contrast, eight companies – Cinram, Glacier, Great Canadian Gaming, IMAX, Lions Gate, Maple Leaf Sports and Entertainment (MLS&E), Shaw Communications and Yahoo! – each have no women on their Board of directors. Overall, 53 of 355 directors (14.9%) are female. Companies like Glacier and MLS&E have no women as officers or directors.

Women fare little better in management ranks. As Table 1 suggests, 17.7% (62 of 351) of senior officers are female across all these companies. With the exception of Alliance Atlantis (6 of 12), CHUM (3 of 6) and Torstar (5 of 10), no firm has 50% or more women in their senior management ranks. Women occupy from 25 to 50% of such officer positions at St Joseph Corporation (3 of 7) and Telus (3 of 11). Lower figures of between 20 and 25% are seen at BCE Inc (1 of 5), Great Canadian Gaming (3 of 12), Nortel (6 of 26), Rogers (4 of 19), Thomson Corporation (2 of 10), and Yellow Pages (4 of 13). Companies with no women officers include Bell GlobeMedia, CanWest Global Communications, Corus, Glacier, Jim Pattison Group, MLS&E, and Northwestel.

There are some positive efforts to enhance the role of women. Half of these firms report an employment equity program (23 of 43) or an anti-harassment policy (21 of 43). Companies like Rogers Communications and TVA Group report an advisory committee on diversity issues. Seven companies have established a formal mentoring program. While women remain a minority among field and technical staff, they constitute as much as two-thirds of human resources, administrative, call centre and office staff.

While many companies set goals for hiring and advancing disadvantaged groups, few receive high marks for performance. According to HRDSC, only five companies receive “superior” grades in three or more group categories – Call-Net, Primus, Télé-Mobile, Rogers Cable and Rogers Communications. Why? One answer is that companies make little mention of organized opportunities to promote all disadvantaged groups – women, visible minorities, persons with disabilities, or aboriginal persons. Typically, for example, companies neither offer formal mentoring programs, nor monitor equity progress, nor issue public reports on diversity. Equity quotas often aren’t part of the criteria for assessing and rewarding senior executive performance. Few companies offer diversity training or introduce gender guidelines for the Board’s nominating committee.

Typically, there are non-discrimination clauses in collective agreements. Alleged discrimination or human rights cases are recorded at 14 companies. Relative to other sectors, comparatively few of these companies have built upon an anti-harassment policy with related training, staff sign-offs and annual diversity audits.

TABLE 2: CHARITABLE GIVING

Media and Communications Sub-sector	Number of Companies Reporting	Corporate Giving		Employee Giving	
		Total	Average/ Company	Total	Average/ Company
Publishing	1 of 7	$19 mil	$19 mil	NA	NA
Telephone	6 of 7	$37.6 mil	$6.1 mil	$9.85 mil	$1.97 mil
Broadcast	4 of 8	$58.75 mil	$14.7 mil	NA	$0.01 mil
Entertainment	4 of 7	$20.24 mil	$5.06 mil	NA	NA
Multi-Media	3 of 8	$59.6 mil	$19.5 mil	$0.2 mil	$0.2 mil
Telecommunications	3 of 6	$35.8 mil	$11.9 mil	$2.6 mil	$1.3 mil
Total	21 of 43	$231.0 mil	NA	$12.7 mil	NA

Among the 21 with a formal anti-harassment policy, few provide details about training, who performs the audit, or at which sites. Unionist Mike Bocking, representing workers at a Rogers Communications affiliate, comments that he can’t think of any sexual harassment cases in the last few years. While discrimination may exist at individual stations, he notes, “Companies have little patience for it – it costs money.”

Home-work balance and family support programs are more observed in word than deed. Two firms (Aliant and TVA Group) support a corporate-sponsored daycare facility, and two others (Telus and Torstar) a daycare referral program. Only a handful of firms report paid days off for eldercare. Where it exists at all, paid time off for cultural and religious observances typically is offered on an *ad hoc*, individual or informal basis. Companies adhere to current legislation (but not a higher standard) with respect to extended maternity leave, paternity and adoption leave, or same sex benefits.

Only one firm among 43 reports a comprehensive program addressing aboriginal hiring and promotion, as well as contracting and procurement from aboriginal-owned businesses. Few companies report that they offer special procurement opportunities to native-owned suppliers of goods and services, even in regions where First Nations peoples are the majority. Despite regulatory licenses to carry aboriginal programming content channels, especially to serve rural and remote communities, most companies have little direct involvement with indigenous peoples. Reports of long term mentoring or internship programs for First Nations peoples are uncommon.

Community Responsibilities

In total, as Table 2 shows, these companies acknowledge giving $230 million to charity in 2005, with employees contributing another $13 million. Half the donations total came from six large donors. In descending order of magnitude, they are CanWest Global, BCE Inc, Torstar, Bell Canada, Corus and Telus. Of this total, at least half may have been in the form of in-kind donations, such as airtime, promotional support and admissions. Sector-wide, in-kind donations include campaign promotions, public service announcements, loan of staff volunteers, and non-profit promotions. In-kind donations as a proportion of total giving are lowest at telephone companies (10%) but highest at broadcasters (90%).

The three companies with the highest per cent of donations as

ETHICAL PERFORMANCE OF MEDIA AND COMMUNICATIONS COMPANIES

	PRINTING AND PUBLISHING	TELEPHONE	BROADCAST	ENTERTAINMENT	MULTI-MEDIA	TELECOM	TOTAL NUMBERS	TOTAL %
Management Practices & Consumer Relations								
Written Code of Ethics	3 of 7	5 of 7	6 of 8	4 of 7	6 of 8	5 of 6	29 of 43	67
Code Updated Within Last Five Years	2 of 3	3 of 5	6 of 6	4 of 4	3 of 6	5 of 5	23 of 29	79
Ethics Training	2 of 7	3 of 7	0 of 8	1 of 7	0 of 8	3 of 6	9 of 43	21
Annual Sign-off	3 of 3	3 of 3	3 of 6	2 of 4	3 of 8	4 of 6	18 of 30	60
Ethics Ombudsman or Hotline	2 of 7	2 of 7	2 of 8	2 of 7	4 of 8	2 of 6	14 of 43	33
Whistle Blower Protection	2 of 7	1 of 7	2 of 8	3 of 7	2 of 8	4 of 6	14 of 43	33
Ethics or Social Audit	0 of 7	0 of 7	0 of 8	0 of 7	0 of 8	0 of 6	0 of 43	0
Ethics Code on Website	2 of 7	3 of 7	4 of 8	3 of 7	5 of 8	4 of 6	21 of 43	49
Equity and Family								
Women on Board	8 of 86	14 of 71	10 of 77	7 of 62	7 of 60	7 of 69	53 of 355	15
Women in Senior Management	10 of 78	8 of 45	7 of 65	12 of 60	7 of 42	11 of 61	62 of 351	18
Disclose Diversity Hiring Statistics	No info	No info	5 of 8	No info	3 of 8	2 of 6	10 of 22	45
Aboriginal Hiring/Contracting Program	0 of 7	0 of 7	0 of 8	0 of 7	1 of 8	0 of 6	1 of 43	2
Formal Mentoring Program	0 of 7	3 of 7	2 of 8	0 of 7	0 of 8	2 of 6	7 of 43	16
Anti-Harassment Policy	3 of 7	3 of 7	6 of 8	3 of 7	2 of 8	4 of 6	21 of 43	49
Employment Equity Program	4 of 7	4 of 7	6 of 8	2 of 7	3 of 8	4 of 6	23 of 43	51
Report Human Rights Cases	1 of 7	4 of 7	4 of 8	0 of 7	2 of 8	3 of 6	14 of 43	33
Human Rights Cases, Number *(6)*	1	17	7	No info	3	5	33	Not applic
Daycare (On or Near Site)	0 of 7	1 of 7	1 of 6	0 of 7	0 of 8	0 of 6	2 of 43	5
Daycare (Referral)	1 of 7	1 of 7	0 of 8	0 of 7	0 of 8	0 of 6	2 of 43	5
Community Responsibilities								
Total Company Giving ($ Average)	$19.0 mil	$6.1 mil	$14.7 mil	$5.1 mil	$19.5 mil	$11.9 mil	Not applic	Not applic
Total Employee Giving ($ Average)	No info	$2.0 mil	$0.01 mil	No info	$0.2 mil	$1.3 mil	Not applic	Not applic
Imagine Canada Pledge	2 of 7	4 of 7	2 of 8	1 of 7	1 of 8	2 of 6	12 of 43	28
In-kind Donations	3 of 7	6 of 7	4 of 8	4 of 7	1 of 8	1 of 6	19 pf 43	44
Matching Gift Program	3 of 7	3 of 7	2 of 8	1 of 7	3 of 8	3 of 6	15 of 43	35
Community Development Programs	0 of 7	5 of 7	1 of 8	1 of 7	0 of 8	3 of 6	10 of 43	23
Involved in Multi-Stakeholder Dialogue	1 of 7	6 of 7	4 of 8	1 of 7	2 of 8	1 of 6	15 of 43	35
Disclose Donation Guidelines	1 of 7	2 of 7	1 of 8	2 of 7	0 of 8	0 of 6	6 of 43	14
Issues Annual Community Reports	0 of 7	4 of 7	1 of 8	0 of 7	1 of 8	2 of 6	8 of 43	19
Number of Annual Reports	0	11	3	0	3	6	23	Not applic
Charitable Foundation	2 of 7	0 of 7	1 of 8	0 of 7	2 of 8	1 of 6	6 of 43	14
Corporate Governance								
Independent Compensation Committee	2 of 6 *(1)*	3 of 6 *(1)*	6 of 7 *(1)*	2 of 7	2 of 5 *(1)*	2 of 3 *(1)*	17 of 34	50
Independent Nominating Committee	3 of 6 *(1)*	4 of 6 *(1)*	4 of 7 *(1)*	1 of 6 *(1)*	1 of 5 *(1)*	3 of 3 *(1)*	16 of 33	48
All Policy Decisions Made in Canada	6 of 7	7 of 7	8 of 8	4 of 7	7 of 8	3 of 6	35 of 43	81
Limit on Director Consecutive Terms	0 of 7	2 of 7	2 of 8	0 of 7	1 of 8	2 of 6	7 of 43	16
Number of Independent Directors	38 of 57	51 of 63	35 of 59	39 of 54	36 of 60	32 of 45	231 of 338	68
Separate Chairman and CEO	3 of 7	5 of 7	5 of 8	4 of 7	1 of 6	5 of 6	23 of 43	51
Dual Class Share Structure	0 of 6	1 of 6 *(1)*	6 of 8	2 of 7	3 of 8	1 of 6	13 of 43	30
Poison Pill	0 of 6 *(1)*	1 of 6 *(1)*	2 of 8	0 of 6 *(1)*	2 of 8	2 of 6	7 of 40	18
Fail Raise Minority Resolutions at AGM	0 of 4 *(1)*	0 of 4 *(1)*	No info	No info	0 of 6 *(1)*	0 of 4 *(1)*	0 of 18	0
Environmental Management								
Environmental Policy	5 of 7	5 of 7	1 of 8	1 of 7	1 of 8	4 of 6	17 of 43	40
Policy Updated Within Last Five Years	3 of 5	4 of 5	1 of 1	0 of 1	0 of 1	4 of 4	12 of 17	71
Full Time Environmental Staff, Average/Company	9 at 2	25 at 3	1 at 1	0 at 7	1 at 1	11 at 1	1.1	Not applic
Senior Full-Time Official (VP/Director Rank) *(2)*	0 of 2	2 of 4	0 of 1	0 of 7	0 of 1	2 of 2	4 of 17	24
Environmental Training for Employees	4 of 7	4 of 7	0 of 8	0 of 7	0 of 8	3 of 6	11 of 43	26
Environmental Committee of the Board	1 of 7	1 of 7	0 of 8	0 of 7	0 of 8	0 of 6	2 of 43	5
≥ Four Reports to the Board (per year)	2 of 7	2 of 7	1 of 8	0 of 7	0 of 8	1 of 6	6 of 43	14
Signatory to International Principles	0 of 7	2 of 7	0 of 8	0 of 7	0 of 8	2 of 6	4 of 43	9
Policy on Web-Site	0 of 7	2 of 7	3 of 8	1 of 7	0 of 8	1 of 6	7 of 43	16
Issues Separate EH&S Report	0 of 7	5 of 7	0 of 8	0 of 7	0 of 8	1 of 6	6 of 43	14

a percentage of profits are St Joseph (10% after tax), Northwestel (2.4% pre-tax) and Aliant (2.4% pre-tax). While these and other companies support numerous local community causes, most could do more to coordinate investment and community development programs. Few articulate an integrated corporate program of donations, partnerships, and sponsorships. Only twelve are pledged to the Imagine Canada program. Charitable foundations to channel donations exist at CanWest Global, CHUM, Torstar, Yahoo and Yellow Pages.

Deep involvement of staff in directing and assessing community giving isn't the norm. Few report high level, ongoing, employee participation in selecting, assessing and partnering with community recipients. Only nine companies have and report an estimate of employee contributions separate from the company. Fifteen firms match employee gifts to charity. Charitable contributions of $500 or more for every 60 hours of volunteer support a year donated by a member of staff are rare.

Only eight of 43 companies issue regular community reports. Telus, CanWest Global, Microsoft and BCE Inc have the longest experience in this regard. Opportunity exists to enhance accountability and transparency in community involvement. Only 15 of 43 report that they are involved in sustained multi-stakeholder dialogue. Few disclose donation decision-making practices together with community investment guidelines. Only six provide comprehensive guidelines at their web-sites on how community groups can apply for funding.

Corporate Governance

Of 43 companies reviewed here, 35 routinely make most or all of their corporate decisions in Canada. More than one third (17 of

43 companies) have dual class voting share structures, where certain executives or owners control multiple shares. Less than half (23 of 43) separate the position of CEO and Chairman.

Two thirds of all directors (231 of 338) are independent. Typically, directors are nominated by slate, not individually. Few companies report limits on consecutively re-nominating the same individual director. At the Board level, 17 compensation committees and 16 nomination committees are wholly comprised of independent directors. Seven companies have a poison pill that entrenches existing management.

A majority of Canadian publishers and broadcasters began as family owned businesses and today their controlling interest remains tightly held. As such, they face special governance and succession challenges. Potential concerns include nepotism, inbreeding, inward-looking decision-making, and insider/outsider management strains. Family members are active in executive and director ranks at a number of companies including CHUM Ltd (Waters family). CanWest Global (Asper family), Quebecor and Quebecor World (Peladeau family), Rogers Communications (Rogers family), and Corus and Shaw (Shaw family), as well as privately held St Joseph Corporation (Gagliano family).

Opportunities exist to improve governance. Examples include reducing their reliance upon related, dependent, directors; creating a social responsibility committee of the board; and capping CEO compensation at a multiple of the average employee's wage. Other opportunities include offering profit sharing to staff, targeting the recruitment of non-related directors; and requiring that evaluations of executive performance include non-financial factors. Notwithstanding voluntary guidelines that encourage public reporting on the management of governance issues, several companies could enhance their in-depth overview of corporate governance in their Annual Report.

Environmental Management

Environmental management often isn't a priority. Only seventeen companies have an environmental policy, five of which have not been updated since 2000. There are only four full time directors of environmental affairs, among ten such officers overall. There are environmental committees of the Board at only two companies (St Joseph and SaskTel), and only two in every three companies (28 of 43) reports a full-time staff person with environmental responsibilities. Of 47 such staff in all, three quarters are employed at just three firms – Bell Canada (18), Quebecor World (8) and Telus (6).

Many improvement opportunities exist. They include issuing public environmental reports, selecting environmentalists as Board nominees, organizing car and van pooling, and preferential parking for multiple occupancy vehicles. Other enhancements could include expanding environmental training for staff, creating an environmental committee of the Board, and setting corporate-wide recycling, energy efficiency or waste reduction targets. Only eleven companies offer routine, ongoing training to staff on environmental issues.

As Table 3 shows, only four companies (BCE Inc, Bell Canada, Nortel Networks and Telus) are signatories to voluntary, international environmental practice principles. None are pledged to the United Nations Global Compact. Only MTS, Quebecor, Quebecor World, Rogers Communications, Telus and Torstar report at least quarterly on environmental issues to their respective Boards.

It is rare to find mention of transportation energy management programs, dedicated post-closure plans, or environmental standards for suppliers. Of six companies that issue a separate EH&S report, five are telephone companies. Only seven of 43 companies put their environmental policy on the corporate web-site.

In the absence of committed corporate-wide policies and dedicated staff, environmental responsibilities are often shared among corporate head office, the legal department, human resources, and business operational units. Not having an integrated environmental management system (EMS) not only limits profit-making from recycling and conservation but also encourages less money for and commitments to waste reduction and energy efficiency.

Environmental Performance

Only seven companies conduct independent audits of site operations using outsiders on audit committees. Audits of television and radio stations and other properties often are not regularly scheduled and, when they occur, are performed by internal staff, not independent third party investigators. Many companies aren't clear about how often or in what manner they audit all their broadcast station operations, production studios, stage construction or machine shops.

TABLE 3: PLEDGES TO VOLUNTARY INTERNATIONAL STANDARDS

Media and Communications Sub-sector	ISO 14001 *(1)*	CEEI *(2)*	ISO VCR *(3)*	Markets Initiative *(4)*	GeSI *(5)*	UN Global Compact *(6)*	FSC *(7)*
Publishing	0 of 7	0 of 7	0 of 7	0 of 7	0 of 7	0 of 7	1 of 7
Telephone	1 of 7	2 of 7	0 of 7	1 of 7	1 of 7	0 of 7	0 of 7
Broadcast	0 of 8	0 of 8	0 of 8	0 of 8	0 of 8	0 of 8	9 of 8
Entertainment	0 of 7	0 of 7	0 of 7	1 of 7	0 of 7	0 of 7	0 of 7
Multi-Media	0 of 8	0 of 8	0 of 8	0 of 8	0 of 8	0 of 8	0 of 8
Telecommunications	1 of 6	1 of 6	0 of 6	0 of 6	0 of 6	0 of 6	0 of 6
Total	2 of 43	3 of 43	0 of 43	2 of 43	1 of 43	0 of 43	1 of 43

Source: EthicScan Corporate 1500 Database Notes: Data provided by company. Not all standards are reported, depending upon the company. They may apply to certain operational units and not others.

(1) International Standards Organization 14001 *(2)* North American Communications Environmental Excellence Initiative *(3)* ISO Climate Change Registry *(4)* Markets Initiative: post consumer paper
(5) Global eSustainability Initiative *(6)* United Nations Global Compact *(7)* Forest Stewardship Council

ETHICAL PERFORMANCE OF MEDIA AND COMMUNICATIONS COMPANIES (CONT'D)

	PRINTING AND PUBLISHING	TELEPHONE	BROADCAST	ENTERTAINMENT	MULTI-MEDIA	TELECOM	TOTAL NUMBERS	TOTAL %
Environmental Performance								
Independent Environmental Audit Team	2 of 7	3 of 7	0 of 8	0 of 7	0 of 8	2 of 6	7 of 43	16
Commodity Types Recycled (Average #)	4.6	9.3	3.7	1.3	N	5.5	Not applic	Not applic
Disclosure of Quantities Recycled	0 of 7	1 of 7 *(3)*	0 of 8	0 of 7	1 of 8	0 of 6 *(3)*	2 of 43	5
Workplace Recycling Program	6 of 7	4 of 7	5 of 8	2 of 7	3 of 8	4 of 6	24 of 43	56
Environmental Awards	3 of 7	3 of 7	0 of 8	0 of 7	0 of 8	2 of 6	8 of 43	19
Environmental Convictions, Last Ten Years	0 of 2	1 of 3	0 of 2	1 of 2	0 of 0	1 of 2	3 of 11	27
Waste Reduction Program	5 of 7	5 of 7	1 of 8	3 of 7	2 of 8	3 of 6	19 of 43	44
Environmental Demands Made of Suppliers	3 of 7	3 of 7	0 of 8	0 of 7	0 of 8	2 of 6	8 of 43	19
Charitable Giving to Environmental Organizations	2 of 7	4 of 7	1 of 8	1 of 7	0 of 8	1 of 6	9 of 43	21
Employee Relations								
Employment This Year Canada (Average)	4,465	14,700	4,100	2,000	8,460	4,850	Not applic	
Employment, Global (Average)	10,235	16,060	6,850	2,185	12,600	37,230	Not applic	
Employment Change in Canada, Last Five Years	-1,000	-500	500	-1,200	-385	-3,500	Not applic	
Workforce Unionized	5 of 7	6 of 7	8 of 8	5 of 7	6 of 8	3 of 6	33 of 43	77
% of Workforce Unionized (Average)	37%	70%	44%	16%	41%	45%	Not applic	
Strikes, Last Ten Years	3 of 7	4 of 7	6 of 8	1 of 7	2 of 8	2 of 6	18 of 43	42
Disclose Training Budget	0 of 7	1 of 7	1 of 8	0 of 7	No info	1 of 6	3 of 35	9
Profit Sharing with Employees	4 of 7	4 of 7	3 of 8	0 of 7	2 of 8	2 of 6	15 of 43	35
Retraining/Relocation in Case of Layoffs	1 of 7	4 of 7	3 of 8	1 of 7	2 of 8	1 of 6	12 of 43	28
Gainsharing Programs (2 or more)	2 of 7	4 of 7	4 of 8	1 of 7	3 of 8	3 of 6	17 of 43	40
Employer Contribution to ESOP (25% or more)	No info	3 of 7	1 of 8	1 of 7	0 of 8	No info	5 of 30	17
Health & Safety								
Disclose Accident Statistics	0 of 7	0 of 7	0 of 8	0 of 7	0 of 8	0 of 6	0 of 43	0
Policy on Website	0 of 7	3 of 7	0 of 8	0 of 7	2 of 8	1 of 6	6 of 43	14
Progressive Staff Policies								
Employee Assistance Program	4 of 7	4 of 7	6 of 8	3 of 7	1 of 8	4 of 6	22 of 43	51
Average Number of EAP Programs	2	4.25	3.5	2.3	3	3	Not applic	
Health Promotion Program	4 of 7	4 of 7	5 of 8	5 of 7	1 of 8	4 of 6	24 of 43	56
Average Number of HPP Programs	3	5.25	2.3	1	2	3.5	Not applic	
Internal Communications Program	6 of 7	7 of 7	4 of 8	5 of 7	5 of 8	4 of 6	31 of 43	72
Average Number of Internal Communications Programs	3.3	3	3.25	3.2	2	4.75	Not applic	
Employee Newsletter	4 of 7	4 of 7	4 of 8	3 of 7	5 of 8	3 of 6	23 of 43	53
Child/Elder Care Support	1 of 7	2 of 7	2 of 8	2 of 7	0 of 8	1 of 6	8 of 43	19
Same Sex Benefits	2 of 7	3 of 7	5 of 8	2 of 7	0 of 8	4 of 6	16 of 43	37
Refund on Book & Tuition ≥ 75%	2 of 7	4 of 7	4 of 8	2 of 7	1 of 8	1 of 6	14 of 43	33
Scholarship for Employees	No info	3 of 7	0 of 8	No info	1 of 8	1 of 6	5 of 29	17
Scholarship For Employees' Children	No info	4 of 7	0 of 8	No info	0 of 8	1 of 6	5 of 29	17
Sourcing and Trading								
Policy on Canadian Sourcing	0 of 7	0 of 7	1 of 8	0 of 7	0 of 8	0 of 6	1 of 43	2
Foreign Sourcing Code	0 of 7	0 of 7	0 of 8	0 of 7	0 of 8	0 of 6	0 of 43	0
Policy on Sourcing in Repressive Regimes	0 of 7	0 of 7	0 of 8	0 of 7	1 of 8	No info	1 of 37	2
Signs International Labour Standards	0 of 7	0 of 7	0 of 8	0 of 7	1 of 8	1 of 6	2 of 43	5
Disclose % of Canadian Sourcing	0 of 7	2 of 7	2 of 8	0 of 7	1 of 8	0 of 6	5 of 43	12
Active in Repressive Regimes	1 of 7	1 of 7	3 of 8	2 of 7	6 of 8	6 of 6	19 of 43	44
Independent Monitoring of Policy and/or Code	0 of 7	0 of 7	0 of 8	0 of 7	0 of 8	0 of 6	0 of 43	0
Disclosure of Operations in Foreign Countries	6 of 7	0 of 7	1 of 8	5 of 7	5 of 8	0 of 6	17 of 43	40
Revenue From Sensitive Business Activities								
Alcohol	0 of 5 *(4)*	No info	6 of 8	No info	6 of 8	3 of 6	15 of 27	56
Tobacco	0 of 5 *(4)*	No info	3 of 8	1 of 7	6 of 8	3 of 6	13 of 34	38
Pornography	1 of 4	2 of 5	3 of 8	2 of 7	5 of 8	No info	13 of 32	41
Gambling	3 of 6	No info	6 of 8	3 of 7	6 of 8	3 of 6	21 of 35	60
Defence Sector Income *(5)*	No info	4 of 7	No info	No info	No info	1 of 6	5 of 13	38

Notes:
(1) Some not applicable
(2) Manager level not scored as senior officer
(3) Some others disclose partially
(4) Indirect income
(5) Weapons and surveillance
(6) Not counting current cases in process

Research Prepared by Craig Barbisan

Information for this comparison is drawn from year 2005 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.

Twenty four of 43 companies report a waste recycling program. They are most fully developed with the greatest range of commodities recycled among telephone and printing companies. At the other extreme, recycling is weakest at entertainment and telecommunications or internet sector companies. Only two companies fully report on quantities of waste stream commodities recycled. Five do so partially. Where recycling of plastics, waste metals, paper, wire, polystyrene, glass or aluminum cans occurs, it is typically a local business unit initiative in which quantities aren't targeted or monitored.

Nineteen of 43 companies report a waste reduction program, with targets or monitoring of results. Only eight companies report receiving at least one environmental performance award. The most frequent self-reporting of independent awards that have been won are noted by Bell Canada, BCE Inc, Telus and Nortel. Likewise, only a small number (eight of 43 companies) acknowledge that they make environmental demands upon suppliers – whether for printing, food service, equipment, car rental, or other supplies.

There are bright spots. Environmental convictions are rare. Nine companies contribute to environmental causes. The broadest reports on environmental progress do address the repair and reuse of used computer and communications equipment; disposal of hazardous chemicals (like paints, solvents, and fluorescent bulbs); and use of alternate fuel fleets.

Employee Relations

Employment at individual companies ranges from 300 to 40,000 staff. Average employment in Canada for entertainment companies is 2,000. For telephone companies, that number is 14,700. In all sectors but entertainment, the average total employment loss between the years 2000 and 2006 is 300 (among multi-media companies) down to 3,500 (among telecommunications companies). Staff reductions are due to layoffs following mergers, technological change, and cost cutting. In the current economic environment, with several companies carrying a huge debt load, a tightening up in staffing has occurred, according to Peter Murdoch, VP for media at CEP. Twelve companies report offering retraining and relocation assistance when layoffs are to take place.

Thirty-three of 43 companies are unionized. Average workplace union representation rates range from a high of 70% at telephone companies to a low of 16% at entertainment companies. Prominent among companies without collective bargaining are Microsoft Canada, Rogers Wireless, St Joseph Corporation and Transcontinental. Where unions exist, they typically represent workers at individual stations, newspapers or other business units. On-air staff and management typically aren't unionized.

Strikes are reported at eighteen companies. When they occur, it is usually at a few stations, printing companies or other business units, rather than company-wide. Companies with a larger number of strikes over the past ten years include CanWest Global (9), the CBC (4), and Bell Canada (4).

Investment in training is vital, especially to make staff competent in the use of new technologies. Only six of 43 companies disclose their training budget. At the higher end, Telus and Aliant respectively report average spending of $1,350 and $1,000 per employee a year on staff training. Three different bargaining agents interviewed by EthicScan (CanWest, CHUM Ltd, and Rogers Communications) point out that certain employers are loathe to spend money on training, for fear that such people would then leave to work for a competitor. National union representative David Lewington, who represents nine of CHUM Ltd. Ontario properties, comments, "There are clauses in the collective agreement covering training. In the end, a company's contribution is still discretionary. People do quit because there are no hard and fast obligations involving upgrading."

Unionists interviewed in the research for this essay comment that convergence in various ways increases the pressure to find operational savings. Consequences include fewer resources for local broadcasting and local news, a deteriorating record of Canadian content programming, and pressures to build revenues and cut costs. Average annual turnover rates are low, with a 2% figure reported at TVA Group.

Concentration of ownership and increased use of technology have unexpected impacts. Unionist Peter Murdoch claims that on-air staff and technicians are required to multi-task, or double up. Video journalists are expected to be camera operators and journalists. A staff member is asked to file television, radio and newspaper reports. Increasingly, stories on television reappear in newspapers and on radio, and vice versa. In addition to overwork and stress, he argues, de-skilling occurs because there is less professional time to reflect on or enhance make-up, camera or other technical work.

Fewer than one in three (12 of 43) companies offers profit sharing to staff. Five companies including Corus and Shaw use share ownership purchase plans (ESOPs) to contribute to the cost of their employees' purchase of shares. Where an ESOP exists, the company's contribution is typically 10-25%, up to a maximum of 5% of an employee's annual salary.

Progressive Staff Policies

Twenty-two of 43 companies offer confidential counseling, called employee assistance programs (EAPs), to staff. Alcohol, tobacco and drug counseling are typical offerings. The highest number of EAP services (an average of 4.25) is found at telephone companies; the lowest average (2.0) is at printing and publishing companies. Third party EAP providers like those for CanWest and Shaw Communications also offer retirement counseling or, in the case of Rogers Communications, eldercare counseling.

Twenty three of 43 companies offer heath promotion programs (HPPs) to staff and their families. Examples include fitness club subsidies, corporate marathons, CPR and smoking cessation classes, wellness training, and nutritious food at the cafeteria. Only telephone companies consistently report four or more health promotion programs (HPPs) that would qualify them for "enhanced wellness" program status. They average 5.25 HPP programs per telecom company, whereas entertainment companies average 1.0 programs per company.

Twenty-three of 31 companies report an employee newsletter as part of their internal communications programs. More use is being made of electronic newsletters to complement or replace paper ones, and audiences have expanded to include retirees as well as active workers. The more widely developed programs, notably at telecommunications companies, include an open door policy, a newsletter, and incentive rewards as well as regular employee forums, externally-verified job satisfaction reports, and regular, formal feedback on internal practices. Shaw Communications and St Joseph Corporation provide training internally at what they call an on-site "university."

Many companies have adjusted to changes in society and the workplace. Sixteen of 43 report that they offer same-sex benefits. Eight provide both childcare and eldercare support. At least a third of these companies (14 of 43) refund 75% or more of employee expenses on external course tuition. At workplaces like CHUM Ltd, the percentage varies across properties. At Rogers,

TABLE 4: HEALTH AND SAFETY STATISTICS

Media and Communications Sub-sector	Injury Frequency per 200,000 Hours Worked *(1)*		Number of Fatalities 2000-2005	
	Report by Company	Average	Report by Union	Average
Publishing	1 of 7 *(2)*	No info	0 of 5	No info
Telephone	0 of 7	No info	2 of 6	7
Broadcast	2 of 8 *(2)*	No info	2 of 8	3
Entertainment	0 of 7	No info	0 of 5	No info
Multi-Media	0 of 8	No info	1 of 6	0
Telecommunications	0 of 6	No info	0 of 3	No info

Source: EthicScan: data supplied by the companies and union reps
(1) Year 2005 *(2)* Partial

the tuition refund for external courses is 100% and 75%, respectively, depending on whether the course is job-related or not. Scholarships for staff and their children, which aren't common (5 of 43 cases), occur most often at telephone and telecommunications firms.

Many staff, especially managers, work more than a 40 hour week. In response, companies like Google, Nortel, and Rogers Communications report flexible scheduling, telecommunications substitution for travel, job sharing, and compensation for time spent by hourly workers beyond a normal 40 hours work week.

Health and Safety

Transparency in matters of accidents and safety could be enhanced. Only six of 43 companies (Bell Canada, CHUM, Cinram, MTS, Nortel and Telus) put their health and safety policy up on the corporate web-site. As Table 4 suggests, none provides time series details on the number of accidents per 200,000 hours worked. This is a decline from figures provided in 2002. Three companies (Quebecor World, Rogers, and TVA) give selective or partial details of trends in injury and accident statistics.

Dominant health and safety issues include the handling of toxic substances, stress-related illnesses, macular degeneration, repetitive strain injuries (RSI), and back injuries. At printing plants, noise and air quality, especially paper dust, are issues. Protocols govern the handling of hazardous materials like paints, waste oils and inks at larger, government-regulated workplaces. Serious workplace injuries are rare, but not unknown. Deaths have been recorded both in outdoor aerial installation and repair work and in using portable broadcasting, microwave trucks. There is little public debate over radio-frequency and microwave radiation from transmission lines and wireless phone operations.

Sensitive Business Activities

Commercial pornography and gambling, in a variety of forms, form part of the business model of at least 13 and 21 of these companies, respectively. Adult pay per view porn/erotic services on cable represent an estimated 10% share of the video market. Escort service advertisements are available in print, by phone, on-line, and through computer screens. Both the Cable TV Association and the Canadian Cable Systems Alliance supported Spice Platinum, a hard core offering.

Companies derive income or market share from these sensitive businesses in various ways. For porn, this takes the form of advertising revenues, customized film development fees, pay per view charges, directory listings, referral charges, or post-production services. Broadcast, telecom, and entertainment companies refuse to reveal the dollar revenues and contribution to earnings they derive from sex-related films and hard core entertainment. For gambling, there are specialty companies like Great Canadian Gaming, as well as others engaged in on-line gambling, off-track betting, printing and issuing of lottery tickets, and sports book making, all of which are regulated.

Ad and other revenues from alcohol and tobacco sources appear to represent an estimated 1 to 6 per cent of revenues at 15 and 13 companies, respectively. No company reported or confirmed alcohol or tobacco source billing, advertising or sales figures. While weapons production was neither found nor reported, five companies were active in defence industry sales, primarily weapons subsystems components and integration, communications and specialty programming support, surveillance, and the like.

Grading & Candor

Sixteen companies scored a B or better grade in corporate responsibility, as Table 5 shows. The highest number of such scores are noted at Bell Canada (8), Telus (8), Nortel (7), BCE Inc (6), and MTS (6). Companies like CanWest, CHUM, Corus, Microsoft, Rogers Cable, and SaskTel each had two or three A or B scores.

In terms of percent of questions answered, or candor quotient, the average score was 65.8%. The average candor score for printing companies was 78%; whereas, that one for multi-media companies was 56%. Ten companies scored 88% or greater. The highest candor scores go to Telus (98%), MTS (95%), Torstar and Yellow Pages (each at 93%) and Bell Canada, Nortel Networks, and Rogers Cable (each at 91%). Companies with A or B grades in corporate responsibility, but poorer candor scores, include CHUM (with two) and Quebecor World, CBC, and Alliance Atlantis (each with one A or B grade).

Sourcing and Trading

These companies aren't mature in terms of accountability, transparency and reporting on international business issues. Only TVA Group has a written, sourcing and trading policy. None of the 43 companies has a foreign sourcing policy. Overall, companies lack written rules for staff or business agents who are engaged in international broadcasting, film making, or entertainment contracts dealing with leasing or licensing contracts in the lesser developed world. Typically, they have few or no written public policies verified by the Board that govern human rights, fair wages, fundamental freedoms, or the right to association.

Most companies neither have an international business practices code, nor are they signatories to voluntary international labour, environmental, or sourcing standards. Only two have pledged to international business standard protocols. As well, none independently monitor foreign operations. Only one company reports a policy of not sourcing in repressive regimes. Indeed, nineteen of the 43 companies reviewed here have signifi-

TABLE 5: CORPORATE RESPONSIBILITY GRADINGS AND CANDOR ASSESSMENTS

Media and Communications Sub-sector	B or Higher Grades		Candor	
	Identity by Company	Number	Average Candor %	Highest Candor Quotient
Printing & Publishing	Quebecor World 1	1 of 63	78%	Torstar 93 Yellow Pages 93
Telephone	Bell Canada 8 MTS 6 SaskTel 2 Telus 8	24 of 63	70%	Telus 98
Broadcast	CanWest 3 CBC 1 Rogers 2	6 of 72	65%	Rogers 91
Entertainment	Alliance 1 Corus 3	4 of 63	66%	Corus 88
Multi-Media	Astral 1 CanWest 3 CHUM 2	6 of 72	56%	CanWest Global 85
Telecom	BCE Inc 6 Microsoft 2 Nortel Networks 7	15 of 54	60%	Nortel Networks 91
Total	8 of 25	56 of 387	65.8	NA

cant foreign operations in repressive regimes. The most common of these are China, Colombia, Indonesia, Iran and Vietnam.

As noted in the last issue of *The Monitor*, much criticism has surfaced from human rights activists on the acquiescent role that telecom companies like Google, Yahoo and Microsoft are playing, in effect supporting authoritarian control of free speech on the internet, especially in China. In the current environment, internet searches not only deny free speech but also land lawful dissidents and democracy advocates in jail.

Canadian culture and identity are communicated in our television, newspapers, films and radio. Certain companies such as CanWest and Lions Gate Entertainment have been criticized for their reliance upon foreign, primarily American, programming. Media, entertainment and telecom companies typically don't have written policies that give preference to Canadian suppliers. TVA Group, one of the few companies which does, estimates that 90% of its sourcing is Canadian. Individual companies may source locally but the practice is not monitored or tracked.

Conclusion

Convergence, high debt loads and technological change are leading to consolidation in this sector. As this occurs, growing concerns are being voiced about media concentration, job security, de-skilling and multi-tasking, cultural identity, international competitiveness, and challenges to ethical business practices. Too many companies score poorly (grades of E or worse) in terms of community responsibilities, management practices and consumer relations, and environmental responsibilities. Improvements in ethical assurance, governance, stakeholder relations, performance-based gainsharing opportunities, international operations, and environmental programs are possible and desirable.

FACE TO FACE

Fringe No More: Gender-Based Board Diversity

Comment, By Susan Nickbarg

Landing a seat at a boardroom table is alluring, but more for men than women, it seems. Businesses can do more to promote effective gender equality in practice and specifically on boards. They need to place greater emphasis on the merits of gender-based board diversity and associated methods of recruitment and board integration.

"Diverse boards yield a crucial breadth of perspective and expertise, provide role models for future talent, and promote good governance," notes Ilene Lang, President, Catalyst, a leading research and advisory organization with offices in Toronto. Today, 60% of U.S. and 58% of Canadian women are in the paid workforce. Yet, women are under-represented on the board – women only hold 14.5% (U.S.) and 12.5% (Canada) of Fortune 500 and Financial Post 500 board seats respectively according to a 2005 Catalyst study.

The numbers in Canada are even worse. According to the tenth annual Canadian Spencer Stuart Board Index (CSSBI), an analysis of board composition and processes of 100 publicly traded Canadian companies with revenues exceeding $1 billion; only one CSSBI company has a female board chair. Women sit at the power fringe of top boardrooms. The resulting picture is a dichotomy: corporate leadership in the U.S. and Canada does not represent the world these companies sell to, hire, or buy from. Additionally, a diverse board membership clearly signals to employees that a company's commitment to advancing women and minorities doesn't stop short of the highest levels.

More Than Lip Service

While CEOs and board members nod in agreement that the boardroom should better reflect diversity in the halls, real change must be tied to performance. Empirical and experiential data tie gender-based board diversity to stronger financial performance and governance. The uptake for integrating boards and harnessing talent will surely follow.

The failure of CEOs and boards to take compelling data and respond with organizational action means that recruitment nets are not cast wide enough, board talent shortages can occur, and the happenstance of tunnel vision can pigeonhole the company.

According to *The Bottom Line,* a Catalyst 2004 survey report of 353 Fortune 500 companies, those with the highest representation of women on top management teams experienced a return on investment of over 35.1% and a total return to shareholders of 34% or higher. A separate 2004 Citizens Index study of 300 companies with a weighted average market cap of $77.5 billion found the stock in companies with the highest gender diversity on the board and in the upper two thirds of management had approximately a 3% higher return. This was compared to the stock of companies with the lowest gender diversity over a one and three year period.

Basing the need for board diversity not only on social and moral grounds, but also on financial performance and governance makes for a compelling, favorable argument.

Earnings speak to shareholders. Good governance practices keep earnings intact. A 2002 Conference Board of Canada study found for example that 94% of boards with at least three women members (vs. 58% of all-male boards) insist on conflict-of-interest guidelines. Women tend to consider the needs of more categories of stakeholders and examine a broader range of management and organizational performance. Seventy two percent of boards with at least two women (vs. 49% of all-male boards) conduct formal board performance evaluations. Companies that give their boards formal, written limits on authority have a greater percentage of women directors than do organizations with no formal limits on authority.

Integration Techniques

Moving from lip service to true board diversity is more than a pool problem; it is also one of process. "One of the traditional impediments is the board recruitment process itself. Companies must begin to purposefully recruit a diverse slate of qualified candidates for each board seat, not one token seat," explains Barbara Krumsiek, CEO of the Calvert Group, based in Maryland.

Reform can easily start with board charter language. A template for model charter language for the nomination of diverse board candidates can be found at the Calvert Group web-site (www.calvert.com/pdf/boarddiv_model_charter.pdf).

Trends

Breaking down dated attitudes into new realities before political legislation hits requires a mind-set as well as a systems change. This year government rulings for a minimum proportion of approximately 40% for both sexes on the board came into force in Norway. For state-owned Norwegian companies, such rules have been in force since 2004.

"Hopefully, Canadian boards will be proactive in diversity and not end up with the legislative approach that Norway is adopting and Quebec is considering," says Andrew MacDougall, the President of Spencer Stuart Canada.

Conclusion

CEOs can leverage gender-board diversity to foster trust, build values, combat stereotypes, demonstrate that open leadership pathways exist, create new networks, and help recruit the next generation of qualified workers. In doing so, they will underscore best practices as well as add to the bottom line.

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New Improved Media

Comment, By Gary Corbett

As I reflect on the morning news I'm often reminded of that famous line in the beginning of the epic thriller *Spiderman* where Peter Parker, upon realizing his newly acquired strengths ponders this caution, "With great power comes great responsibility." It is at least interesting, if not ironic, that Peter was an agent for the media, which holds great power and, more to the point, very great responsibility.

The media, more than any other profession, has the ability to not only report the news, but also raise awareness of ethical conduct - good and bad. It is also able to shape issues and/or contextualize them for current and future generations. Consider the power of distribution held by the media and its ability to make contact and influence, with fact and opinion, huge and diverse numbers of people. Consider, too, new readers, cultural mobility, shifting societal norms and political influence. Into that mix, add today's increased ability to network, to monitor global dialogue and to debate and critique decision making rationale on a global scale. These factors, as well as a host of others, support strong arguments that, in being "responsible" the press must be unbiased in its presentation of the "whole truth" to properly and diligently exercise its position of power.

Yet, as powerful as it is, the press too has influences. Like Peter Parker, who didn't see a payday if he didn't produce a picture of the illusive Spiderman, many newspapers and journals would be out of business if they could not produce articles of interest for their readership, not to mention their editorial boards, which also need be considered. The power of the media is anchored in the words and images it uses. Simple words have the power to change the tone of articles ever so slightly and have the power to create vagueness where other wording would have produced clarity.

So, therein lies the ethical problem faced by even the most powerful. The media reacts to stimulus. It is like a machine responding to and dependent on influences while at the same time it is expected to be a guardian of truth and freedom of expression, absolutely and necessarily above influence. One might even draw a parallel between freedom of expression and the sanctity of confession and atonement somehow made public. Overtly, should the media not represent the unspoken dialogue in the minds and hearts of its readership - a dialogue that needs to be candidly spoken so as to fully examine, without fear or prejudice, all sides of an issue with the aim of achieving a clear, unbiased, and truly accurate picture of an issue? That is the power of the media– a power to be used responsibly and wisely and a power that seems to be on the increase.

Over the last 10 years, with technical advances and greater ability and propensity to present on-demand, up-to-the-second communication, the number of participants in ethics and moral dialogues has increased. New and advanced tools from real-time satellite coverage down to simple homespun internet blogs have opened the information flood gates to a wider, more open dialogue and potentially greater transparency. Arguably, the clarity of solutions should have increased too.

In the past, we have all heard that when we involve more views (open the debate to a wider audience) in the decision making process, a better decision is produced. Right? More recently, given what media has provided, it also seems that the richness and complexity of the argument also increases, perhaps pointing to some limit of transparency which we may yet see. Media are always online. Their power should be used more responsibly – and a fundamental question has arisen as to whether that, in fact, has improved the ethical climate and the end result. Have advances in media produced a more ethical society? One answer is: This is not a clear question, because media is undefined.

The media is a machine made up of people with influences and opinions. The numerous local, regional and even global ongoing dialogues are simply cogs turning in a vast interconnected machine. It puts out a product whose role in sparking opinion and debate is far more important than the facts and opinions expressed. The machine has no more feelings than does a family car. Comparing the media of today, with all of its new bells and whistles, to the media of yesteryear is no different than comparing a 2000 Ford T-Bird to a Model-T. Sure, the T-Bird has the latest technology, is safer, more efficient, faster, more comfortable, has increased range and, by many measures is an advancement. Yet, despite these advancements, both machines, like the media, share a common truth. If the operator uses the vehicle with reckless disregard for the capabilities of machine, without respect for the power contained within, there remains great potential for harm, albeit on very different scales.

Considering all that, we are left with the unmistakable reality that our information, opinions and even our decisions can be and are shaped by what we read and see in a machine that has living and breathing parts. It would be perhaps futile to suggest any recommendation for change that would somehow improve the media. A simple expression of hope suffices. Hope that, like Peter Parker, those living and breathing parts that make up the media, from writers to journalists to editors, act ethically, as consummate professionals do, and use the powers that they have been granted with great responsibility.

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Good News/Bad Science

Comment, By Vincent di Norcia

"Although it's the most important film of the year, it will still be a hard sell to hard-headed truth-deniers," commented Boo Allen of the Denton, Texas daily, *The Record Chronicle*, a few months ago in a review of Al Gore's impressive film, *An Inconvenient Truth*. In his documentary on the global warming crisis facing civilization, Mr. Gore makes a disturbing claim that underlies Allen's concern. Gore contends that about 60% of U.S. mass communications media have falsely reported that scientists are divided on the question of global warming. In effect, media truth-denying is becoming a real problem in the communications media.

In support of the film's main contention about the real risks of global warming, Gore says that despite U.S. media denials the scientific consensus in favour of global warming is in fact overwhelming. Indeed it is in effect, unanimous. Gore cites a recent *Science Magazine* sampling of 10% (n = 928) of the published scientific articles on climate change over the last ten years, during which *not one paper disagreed* with the hypothesis that global warming is happening and is caused by human activities. Global warming is real, it's already happening; and it is the result of our activities and not a natural occurrence. This, major scientists like Edmund Wilson, James Lovelock and David Suzuki all agree, represents an unprecedented situation in the history of the species.

If the debate about global warming among scientists is over, why is this not what the media say? How can any serious information medium 'report' that scientists are still divided over the issue, unless, that is, they are denying the truth, just as Boo Allen claims. Or, if one feels more charitable, perhaps they are merely incompetent. Certainly so high an error rate as 60% on a major service or product would be intolerable in any modern self-respecting business. But not in the media, it seems.

While there are a few dissenters, the scientific consensus on global warming is now overwhelmingly in agreement. Science increasingly confirms that there is a serious climate change problem. The evidences cited for global warming are sprouting like weeds in the planetary garden: the planet's average temperature is rising, especially at the poles. Glacier and pole ice packs are shrinking; large storms are increasing in number and intensity; hundreds of species are moving closer to the poles; the incidence of smog and pollution related diseases is rising; drought is spreading through former wetlands; and species extinctions are occurring at a evolutionarily unprecedented rate. Global warming correlates in direct linear fashion with the rise in atmospheric carbon dioxide. Underlying it all is an exponential hockey stick shaped increase in the human population. The crisis evidence overwhelms the counter evidence. Only the details need filling in and the forecasts need refinement. The overall trend threatens the foundations and future of terrestrial civilization.

The media can help, if they so choose. For information about climate change, the science, and our options most of us rely on print, broadcast, and other media to communicate the truth. We do not expect them to deny it. The duty is to inform, not disinform.

But outside leading metropolitan outlets like the *New York Times*, too many North American media operations act as if they know better than the scientific community, at least on this issue. Fox, CNN and even PBS, the *Washington Times*, and well-known political commentators such as Robert Novak and George Will, give equal time and weight to global warming critics and scientific experts alike. They question the reality of global warming and deny that there is a scientific consensus on the issue. They are one with the *Miami Herald*, which criticizes what it terms media hysteria for unduly raising concerns about global warming. Even PBS failed to identify the conservative energy industry funding behind a source who criticized reports of global warming.

The Canadian media may not be much better, Steve Millroy contends in Canadafree Press.com, contending that our media, like U.S. media, are more interested in infotainment and junk science than in the scientific truth about global warming. A *Calgary Sun* columnist, for example, recently called for putting a freeze on global warming alarmist hype. Such journalists and editors take it upon themselves to pronounce on the science as if they were themselves scientific experts.

To distort the truth is to deceive; and to do it deliberately is to lie. Lying, every major religion teaches us, is wrong. Denying the truth because it disturbs one's complacency is no excuse. On the contrary, it sounds to me very much like the response of the comfortable and the complacent to the all too inconvenient truths proclaimed by the Prophets in their midst. Certainly neither Isaiah, Muhammad, Buddha, nor Jesus would be surprised by the hostile response of mass communications media to uncomfortable truths. In effect, the truth does not fit the media's ideological mindset or theirs and their readers' comfortable life style. It disturbs their complacency. It is, as Gore said, inconvenient.

In a more secular vein, for the communication media to refuse to report the facts is to betray the fundamental ethic which defines their core mission. Their principal responsibility is to inform their readers and audiences. It is not to propagate ideological bias, propaganda, errors, distortions, or falsehoods. Truth-denying represents a major ethical lapse in media self-proclaimedly devoted to open communication.

We have a real, planet-wide problem. This is not a subject, like political debates or social opinions, where the media habit of getting a balanced pro and con opinion on the subject is appropriate, as Jules and Maxwell Boykoff say in Fair and Accurate Reporting (website: www.fair.org). In this case treating pro and con as cognitive equals distorts the question and denies the truth. It sends the erroneous message that both sides are equally well informed or equally knowledgeable about global warming.

Journalists are members of the human species. They live on this planet, and have the same responsibility we all bear; namely, to ensure that development is married to sustaining our planetary habitat. Like Nero fiddling while Rome burned, the media who oppose the science on global warming and deny that there is any global climate change crisis are playing with fire, but with planetary fire. They are, without exaggeration, evading their responsibilities. And worse still, they are betraying our common future.

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The Media & Government Statistics

Comment, By Ron Robins

Why doesn't the media critically assess government-published statistics? Objective discussion of the reliability of statistics issued by government departments is rarely found in the mass media, despite the concerns of some economists that such statistics are often unreliable.

For example, consider the U.S. Consumer Price Index or CPI. According to John Williams, a New Jersey consulting economist who has specialized in government statistics for several decades, "Inflation, as reported by the [U.S. Bureau of Labor Statistics'] Consumer Price Index is understated by roughly 2.7% per year... due to recent redefinitions of the series as well as to flawed methodologies, particularly adjustments to price measures for quality changes." As a result of understating inflation, the U.S. government can more easily sell its bonds and hold interest rates low for business and consumer borrowing. Such a result as this would be a clear political goal. In fact, the person heading the US Bureau of Labor Statistics is a political appointee.

So bias in presenting statistics for political gains cannot be overlooked. Mr. Williams may be right or wrong in his analysis, but my point is that journalists and the media generally fail to comment, as he does, upon the reliability of government statistics. Why is this the case?

Jeff Sanford, a staff columnist at *Canadian Business*, blames many journalists, who "are not that literate in basic math and statistical skills... and are not even aware of some of the biases that can be (found) in statistics." Jonathon Chevreau, a columnist at the *Financial Post*, notes that criticism of statistics often depends on the amount of time or space the journalist has to work with. "[Journalists] would rather go with interesting information than wasting a sentence explaining how the methodology [of the statistic] actually happens." Christopher Waddell, Associate Director of the Carleton University School of Journalism, in Ottawa, offers another perspective. "The biggest problem with statistics and journalism is that too often numbers are used without the context surrounding them." In particular, "Television reporters have difficulty with statistics because they are difficult to present... it's hard to listen to, or show a bunch of statistics, and make sense of them."

As noted in *The Monitor* essay on Publishing and Printing, employers and the big wire services enforce a sweatshop environment on journalists. In a high pressure atmosphere geared to getting the news out as fast as possible, background information is inevitably excluded. The reliability of easily available statistics is assumed, and not researched, analyzed, explained or criticized, to the ultimate detriment of the reading public. Given all this, it is not surprising that government statistics often have uncritical free rein in the media.

In a recent article, *The Problem of Accuracy of Economic Data,* Philipp Bagus states, "We face the question of why the problem of accuracy of economic data is rarely mentioned or passed over in silence in economics [and in the media too], while in the physical sciences this problem is widely acknowledged... In contrast to physics, there is still no estimate of statistical error within economics. The various sources of error that come into play in the social sciences suggest that the error in economic observations is substantial... Economic statistics cannot be accepted at face value."

Recently, while researching detailed notes on the U.S. unemployment rate, given as 4.6% for September 2006, in a separate document, I found that the actual number had a 90% probability of being anywhere from around 4.4% to 4.8%. So, when we hear that the unemployment rate falls from say 4.8% to 4.6% over several months, we can not be sure that unemployment is really falling. So why is this type of information not in their 'Employment Situation Summary' press release? Even private polling firms provide upfront details of sampling errors. The non-reporting of important background information by government statistical departments goes some distance in explaining why journalists and the media do not critique the reliability of such data.

Even Statistics Canada does not include any discussion of error or degrees of confidence in their major economic press releases, such as the Labour Force Survey and GDP reports. They are sometimes provided, but usually buried in detailed notes under separate documents.

Most people watch, read or listen only to the mass media. If inaccurate statistical information is passed on to us by the mass media, and people do not consult any other sources for verification, then bad decisions are more likely to be made. If business believes the job market is growing when it may not be, unnecessary business investment and declining profits may result. Government statistics play an important role in business and financial decisions. Journalists and the media perform a great disservice to business by not understanding, explaining, and critiquing them.

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The Point of Good Corporate Governance

Comment, By Randall K. Morck

In 2004, the Supreme Court of Canada ruled in *Peoples v. Wise* that the directors' duty is not to shareholders, nor to any stakeholders, but to the corporation itself. Dropping the 'fairness to shareholders' concerns that frame American and British governance debate sounds progressive. But it really isn't because it befogs directors' duties while missing the point of the Anglo-American stance. The purpose of good corporate governance is not, and never has been, 'fairness' to shareholders, even if we could agree on what 'fairness' means. Getting public shareholders a better deal is a means to a more important end – making the overall economy run more efficiently.

We want our corporate sector to be run by the most able and honest people we can find so our standard of living can be as high as possible. Higher corporate productivity lets leftists fund plusher social programs, lets conservatives lower taxes, or even both. But the basic equation holds regardless: We all win by entrusting the governance of our country's corporate assets to the most able and honest stewards.

To see why connecting this with 'fairness' to shareholders causes problems, consider dual class shares – rightly criticized by good governance advocates, but usually for the wrong reasons. Many listed firms have two classes of common shares – one with many votes per share and the other with few votes per share. Multiple vote shares are usually held by insiders – often a founder or founder's family. One-vote shares are usually held by public investors – the people finance professionals tactlessly call 'widows and orphans'. Dual class shares are commonplace in Canada, and often entrust corporate governance to insiders with many votes, but woefully few shares. This may be bad for a host of other reasons, but it's not necessarily unfair to widows and orphans.

Now widows and orphans are not stupid. In particular, they are smart enough to see how insiders with multiple vote shares sometimes wield their voting power in ways that aren't necessarily good for other shareholders. As proof of this, numerous academic studies confirm that public investors pay less money for one-vote shares – they are priced at steep discounts to multiple vote shares. Even more telling, the discount is steeper in countries and markets that give public shareholders weaker legal rights *vis à vis* abusive corporate insiders.

Certainly, selling shoddy goods at full price is unfair. But it is more of a stretch if a consumer buys something that is deeply marked down, and complaining afterwards that it's shoddy merchandise is more of a stretch. Likewise, shareholders who bought steeply discounted one-vote shares in companies run by insiders who own multiple vote shares and then complain about the way the company is run perhaps ought to have thought about why the share price was so low in the first place. Clicking the research button on an electronic brokerage website or talking a full service broker would help clarify the situation.

Yet alleged abuse by controlling shareholders wielding multiple vote shares stirs up shareholder rights advocates in many countries. An example is Conrad Black's control of Hollinger companies with multiple voting shares. More generally, shareholder rights advocates argue that, when an insider uses multiple vote shares to make a firm do something that benefits him, but not other shareholders, the owners of one-vote shares have been treated unfairly.

But what if Lord Black's contention that everything he did was legal is upheld. Is the law then "unfair"? Should we force unifications of dual class equity structures into one-vote-per-share stock for everyone, as Israel recently did? Or would this unfairly reward widows and orphans? Would this be like forcing a clothing store to repair flawed clothing sold at 50% off? Maybe it is – or maybe it isn't. *My point is that fairness doesn't really matter.*

This is because fairness to shareholders isn't the main issue. We care about corporate governance because we care who is in charge of our country's corporate assets, and this has ramifications far beyond the portfolio wealth of a few widows and orphans.

In my view, we probably do want to get rid of dual class shares because we want insiders to be accountable. Absolute power corrupts absolutely, and multiple voting shares give corporate insiders overwhelming power to determine who sits on corporate boards and what strategies corporations pursue. If the insiders deliver solid financial performance, they should be able to convince a majority of shareholders to support their vision for the firm's future. If they don't, they should have to answer for their mistakes, and if a majority shareholders' votes favor change, let there be change! Multiple voting shares thwart this by locking in corporate insiders' control and immunizing them from the consequences of their decisions.

Entrenched corporate insiders may sometimes be the most able and honest people we can find to run our firms. But if they're so good, they don't need to lock in their control with multiple vote shares. And both ability and ethics can change with age, or with changing circumstances. The best steward now might not be best in a decade or two. And while ability is, at most, only partly hereditary, multiple vote shares routinely pass from father to son. I don't know of any evidence that honesty is inherited. Many Canadian firms are run by old money family scions, and also underperform on average. Maybe the scions are the most able and honest people available, but the liberal deep within me somehow doubts it. Ethics need not be turgid. A highly able CEO crossed with a supermodel might leave a firm with markedly average, albeit decorative, management a generation later.

Of course, multiple voting shares aren't the only way to lock in control by less than ideal insiders. Equally effective are other affronts to good governance like staggered boards, and overly intoxicating poison pills, which commit stewardship to one set of insiders for all time. Like dual class shares, these offend against good governance, but not because they are somehow 'unfair' to public shareholders. They may or may not be so. They offend because they fail to keep our country's corporate assets in the hands of the most able and honest stewards.

A wealth of empirical evidence backs this up. Countries with ill-regulated financial systems, especially whose legal systems arm public shareholders with few rights against corporate insiders, have thin and small stock markets, shallow and unresponsive banking systems, and attract relatively little foreign investment. Such financial weakness is, in turn, highly statistically correlated with depressed standards of living and slow productivity growth. Good corporate governance leads to prosperity. Here the empirical evidence is simply too strong to ignore.

But this doesn't mean we should forget about shareholders. The stock market is surely an imperfect indicator of how well a firm is governed, but depressed stock prices are nonetheless often early warning signals of accumulating governance problems. This is information we should not ignore.

We use public shareholders as an 'early warning alarm.' Just as canaries who stop chirping in a mineshaft signal the need for the miners to get out so too do shareholders who start crying about sinking share prices, signal the need to reevaluate the corporation's strategies and, perhaps, to change its top management.

No one wants to make public shareholders the focus of corporate governance because they are nicer or more important than anyone else, but because we are using them as capitalist tools. We should make public shareholders' welfare the main focus of corporate governance because, even given occasional fits of irrational exuberance in stock prices, the volume of public shareholders' complaints is the most sensitive barometer of governance around. They scream first when governance starts to go flat. For this barometer to work, corporate insiders must be at least somewhat accountable to public shareholders. Public shareholders need legal powers to effect change; and dual class shares, along with other legal mechanisms that prevent such change, block such change. This, not 'fairness', is the reason we care about public shareholder's legal rights to affect corporate governance.

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Muhammad Yunus On The Microcredit Revolution

Speech to the 1997 World Micro-credit Summit, Washington DC

I ask myself "What is the Micro-credit Summit about? Is it another Washington gala event? To me, this summit is a grand celebration. We are celebrating the freeing of credit from the bondage of collateral. This summit pronounces the end of a long era of financial apartheid. This summit declares that credit is more than business. Like food, credit is a human right.

This summit is about setting the stage to unleash the human creativity and potentiality of the poor. This summit is to guarantee every poor person the chance to undertake responsibility and to reclaim his or her own human dignity.

This summit is to celebrate the success of millions of determined women who have transformed their lives from extreme poverty to dignified self-sufficiency through micro-credit programs. This summit is about creating opportunities for 100 million of the poorest families to follow in the footsteps of these successful women… Only 100 years ago men were still struggling to find a way to fly. Many people doubted them and looked upon them as crazy people. But in 1903 the Wright brothers flew fheir first plane. In the micro-credit world we are just testing our wings in a Wright brothers' plane. We are covering 120 feet here, 300 feet there. Some find our plane unsafe, some find it clumsy, some find it unfit for the job. We can assure you we'll soon fly our Boeings. We'll be ready with booster rockets. We believe that poverty does not belong in a civilized human society. It belongs in museums. This summit is about creating a process which will send poverty to the museum.

Muhammad Yunus is the winner of the 2006 Nobel Peace Prize. He is the head of the Grameen Bank, in Bangladesh and founder of the world micro-enterprise movement.

The Grameen Bank provides funding, technology, technical assistance, training and information services to 52 local microfinance institutions in 22 countries, who give very small loans and financial services to the world's poorest people to start very small businesses to pull themselves out of poverty. This network has impacted an estimated 11 million lives across the globe. More than 90 percent of its clients are women because they have proven to be the most effective in fighting poverty.

Sources: Muhammad Yunus, *Banker to the Poor* (Public Affairs, 1999); and <http://www.grameenfoundation.org>

FEATURE COLUMNS

HorizonScan, by David Nitkin

Giving and the Culture of Right Reasons

Recently, public and media ripples were created when U2 pop star Bono fronted the introduction of Product Red. This is a cross-branding partnership in which companies like Apple, Motorola, The Gap, Armani, and others earmark an uncertain portion of the revenues from the sale of specific products to the Global Fund To Fight AIDS, Tuberculosis and Malaria in Africa.

Would consumers purchase as many iPods, phones, jackets, shirts and designer sunglasses without the program? Should consumers be encouraged or discouraged to buy discretionary products of dubious societal benefit? Think, for example, of hybrid technology largely only available in North American-made gas guzzling SUVs, or $300 running shoes. Shouldn't consumer product companies give to worthwhile charities without strings attached? Couldn't a progressive company establish a donations fund directly – one that includes the universe of citizens who may not choose or could not afford to buy that product – and offer to match public donations?

For conscious consumers, the group profiled in Paul Pellizzari's book *Conscious Consumption*, such moral gnashing of teeth is almost without end. The waters became further muddied when it was revealed that Bono's band was using an offshore haven country in which to shield itself from Ireland's high corporate taxes. Don't we have the expectation that publicity-seeking leaders should walk the probity talk?

We are a very conflicted culture. Many of us want companies to give, and further expect them to do so for the right reasons. We want to do good, but perhaps less so if responsibility carries with it a premium price. The country's tax system does little to promote conservation and climate change.

This conflict is at the heart of a dilemma that I frequently raise with my business ethics students or when lecturing to a faith-based audience. Imagine a widow with a sick child in need of cash for major surgery. Who is the better or more moral business person: Executive A who won't spend time to listen to or console the destitute widow, but who abruptly gives her $500, or Executive B, who takes lot of time to comfort the afflicted widow, but only gives a couple of dollars, not from the company but from his or her own pocket?

My class of international business students are split on socio-economic status lines on their answers. By contrast, public forum audiences from Christian-faith backgrounds embrace Executive B. Those of Moslem and Jewish faiths, by way of cultural contrast, opt for Executive A. Christian teaching is centred upon faith; Moslems focus on submission; and Jews on right behaviour. None is better than another – but they are different. All of which suggests that assessments of morality – or culturally-determined rights and wrongs – vary by religion, geography, socio-economic status and gender.

How, one asks, would Africans respond to this dilemma? If Bono and Project Red's other heavy hitting backers really want to help Africa, wouldn't it be better to make the Red Products there? The money used by Project Red will fight AIDS and malaria, but will likely do little to reduce poverty there.

Stephen Lewis' evocative and anger-raising book, *The Race Against Time*, paints a dire picture of the future of the African continent. Lewis, the former UN Secretary-General's special envoy to Africa for AIDS, documents the role of the UN and the World Bank in decimating the social infrastructure of teachers and health care workers as conditions for international aid in so many African countries. Lewis makes it clear he isn't being reappointed for two reasons: he doesn't play the bureaucrat well, and South Africa's president was angered at the envoy's strong public criticisms of that country's ridiculous and inadequate program for dealing with the AIDS epidemic.

Such a gap between earnest intent and dire consequence reminds me of a dilemma when I sat on the Board of the Canadian Centre for Ethics and Corporate Policy. We were discussing whether to accept a proposal that the Centre – now called the ethicscentre – would give public ethics awards to companies that "scored" high in areas like environmental performance and progressive staff policies. My concerns were twofold. First, a company could score well in one corporate responsibility category, but disastrous in another. Second, there often is much internal malfeasance in organizations that isn't in the public realm. Unreported stories of wrongdoing underscore the judgement that corporate research and media coverage have serious limitations.

My Board colleagues weren't persuaded by my arguments. What swayed them was the story introduced by another Board member about a Minnesota-based ethics centre that got egg on its face because of its dubious experience with ethics awards. Six weeks after its American corporate award-winner accepted the centre's recognition, it was caught out in the media in a serious bribery scandal.

Awards and recognition for good deeds make sense. Good companies and conscious consumers merit praise. Maybe the responsible answer from the public and Board members alike lies in better assessments and criteria for awards. The logistical problems and trade barriers that make turning the troubled continent of Africa around are complicated. They are certainly more complex than rewarding conspicuous consumption in the North and handing out AIDS drugs in the South.

Surely, in the end, what unites us is our humanity, not being a consumer.

David Nitkin heads EthicScan's Toronto-based consulting practice. He can be reached at <david@ethicscan.ca>.

MediaScan, by David Olive

Backdating Stock Options

More than 100 U.S. companies, many of them blue-chip corporations, have come under investigation by tax and securities regulators for so-called "backdating" of executive stock options. Steve Jobs, CEO and cofounder of Apple Computer Corp., has issued an abject apology for the backdating practice at Apple, where Jobs and other executives have "disgorged" improper personal gains. The longtime CEO of UnitedHealth Group, one of America's largest health management organizations (HMOs), was forced to resign his post in October over backdating practices by which he stood to collect more than $US 1 billion in compensation.

Stock options have proved a dubious form of executive pay. They generally are issued at very low prices, and usually at no cost to the recipient. At some future point when the stock has risen in value, the recipient exercises the option to buy the stated amount of stock, at the original low price when the option was granted, then immediately sells the stock at the current, much higher price. Stock options represent a windfall for the executive recipient that is not available to other shareholders, who have paid for their shares with real money and are at a genuine risk. The executive holder of stock options, by contrast, can't lose. If the stock rises, he cashes in; if it fails to do so, he hasn't lost anything.

Worse, the excessive granting of executive stock options has been a powerful incentive for management to cook the books in order to maintain a high and rising stock price for that future date, usually near retirement, when the executive hopes to reap a multimillion-dollar payout. Options tempt CEOs to distort sound management principles, including the preparation of misleading financial reports, that have led in extreme cases such as WorldCom Inc. and Enron Corp. to bankruptcy, significant job loss, and the wiping out of ordinary shareholders.

In backdating options, company boards agree with management to lower still further the already low buying price of stock under the original option, to either guarantee a windfall for executives in the case of stocks that have not risen sufficiently, or to fatten the payout anticipated by the executive option holder. Whether they are backdated or not, options have the effect of diluting the value of stock held by ordinary investors, since the exercise of options floods the market with new shares.

Because a rising market tends to raise shares of all companies, regardless of individual performance, Warren Buffett has denounced options as "an annuity on the passage of time." The CEO of Berskhire Hathaway Inc. went even further recently in one of his infrequent notes to the heads of his conglomerate's more than 45 divisions in September. He cited the current backdating scandal as an example of the questionable behaviour that gains momentum throughout the business world due simply to a proliferation of bad examples.

"The five most dangerous words in business may be "Everybody else is doing it," wrote Buffett in his memo. "My guess is that a great many of the people involved [in the backdating scandal] would not have behaved in the manner they did except for the fact that they felt others were doing so as well."

At this advanced stage in capitalism's evolution, it should seem unnecessary to remind people in business and other callings to reject activities that fail the "smell test." Sadly, however, self-interest continues to trump exemplary ethical behaviour among too many twenty-first century leaders. And so Buffett has reminded his own colleagues, in a warning applicable far beyond Berkshire Hathaway, "to start with what is legal, but always go on to what we would feel comfortable about being printed on the front page of our local paper, and never proceed forward simply on the fact that other people are doing it."

David Olive is a business columnist at the Toronto Star. *He can be reached at <dolive@thestar.com>.*

Communicating Ethics

continued from page 65

being asked, 'How do you feel?' The verbal sympathy offered victims by journalists is repugnant and hypocritical. Clearly, the prime concern is not for the victim. It is to get the story.

In addition, journalists often presume to tell us how we should feel about such stories, which they label as terrifying, horrific, or scary. That we may be concerned because they sensationalize such events, framing them as crises and catastrophes, escapes media notice. In truth, many people are not so much scared or terrified by media, as numbed by the daily diet of bad news. We are increasingly skeptical of media sensationalism. There is a real thirst for reliable, balanced and accurate information about complex socio-economic, political, and environmental problems.

True, some media outlets are more responsible than others. Good. The point remains. Media ethics codes are already available to them. The time has come for the media to comply with their codes, document progress, be more transparent, and get serious about their ethics.

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