



The Canadian Democracy and Corporate Accountability Commission

By Ed Broadbent

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The Quebec City episode illustrated the hemispheric dimensions of concern about global corporate power.

Some statistics:

In 1998, there were 53,000 transnationals conducting two-thirds of global trade.

They also did 80 per cent of the investment flows between the developed and developing nations - the North-South flow - a reversal of the patterns of investment in 1990.

Modern trade deals have increased this trend and their corporate power without any compensating or related protection for human rights or the environment.

The Question: Democracy and Accountability: Accountability is the requirement to explain and accept responsibility for one's actions.

There are three components in modern society. There are state institutions, civil society and corporations.

State and civil societies are largely transparent and accountable, by law.

The corporate sector by contrast sees accountability almost entirely in the hands of shareholders-the "stakeholders".

Shades of Milton Friedman's 1970 epic from the Chicago school insisting that bottom line profit is the only goal.

But it wasn't always so. Take the Royal Charter for the Hudson Bay Co., which instructed that company to "promote all endeavours tending to public good."

Most Canadians today do NOT accept the Corporate view of the world and that is certainly true of activists

These people expect corporations to make profits AND to be accountable to their employees, their customers, their communities and to nations abroad.

Most Canadians would agree with Alan Taylor, former chief executive officer of the Royal Bank, when he said in a 1994 lecture: Corporations "must accept community responsibilities as well as private obligations."

Most Canadians do see companies as "potent and massive tools for generating wealth" and jobs-but also as not paying their fair share of taxes, of indifference to the impact of job layoffs, uncaring about the environment and too willing to co-operate with foreign governments that violate human rights of their citizens.

The Commission on Canadian Democracy and Corporate Accountability was launched in February at the Toronto Stock Exchange and consists of five individuals, three from the private sector.

Co-chairs are myself (Ed Broadbent) and Avie Bennett, chair of McClelland and Stewart and the others are John LeBoutillier, former chief executive of the Iron Ore Co. of Canada; Linda Crompton, chief executive of Citizens Bank of Canada; and Ken Georgetti, president of the Canadian Labor Congress.

This commission began cross-country hearings in February, aiming at seven cities- Ottawa, Winnipeg, Montreal, Toronto, Halifax, Calgary, and Vancouver.

Hearings are inviting corporations, non-governmental organizations and governments and the focus will be a 50-page discussion paper distributed nationally that will:

- Sketch the legal and historical basis for Canadian corporations.

- Explore dilemmas associated with corporate accountability in Canada, in particular the notion of corporate social responsibility. That involves a discussion of accountability to shareholders, employees, customers, the community, the nation and third-world (developing) countries-a discussion that assumes corporations need to receive profits.

The final report will be presented to the federal and provincial governments, corporations and citizen groups.

Avie and I have met with Brian Tobin, Industry Minister, and he said he will encourage corporations to see us and to take our recommendations seriously.

A few points about the discussion paper:

Most of Canadian corporate law is dedicated to making companies accountable ONLY to shareholders.

Most Canadians seem to believe that corporations have a broader responsibility but corporate leaders seem wedded to the "bottom line" of profit.

Canadian corporate law is unclear about permitting company directors to do anything other than maximizing shareholder profits.

Most voluntary codes of conduct that are developed by corporations focus on issues related to profit interests, NOT on responsibility for non-profit issues or on accountability to anyone other than shareholders.

(In a *Toronto Star* column April 28, Carol Goar reported after talking to Ed Broadbent, that one thousand invitations went out to the private sector and four came back: Conference Board of Canada; Export Development Corporation (a federal agency); Business Council on National Issues; and The Body Shop.)

The Commission poses six questions that seem most relevant at the start of the 21st century:

1. Since information is the currency of democracy, should corporations as major concentrations of power be obliged to disclose activities with an impact on the environment, public safety, human rights, health and safety? Whistle blowing laws?

Should independent social audits be required by law?

2. Should Canada enact legislation allowing corporate directors to take account of the effects of a company's policies on the community at large?

3. Should corporations be held responsible for their foreign activities affecting human rights, environment, labor conditions and any dependence on federal aid.? Talisman Energy's oil-production behavior in the Sudan is an example.

4. Should shareholders be encouraged to form associations to hold corporate directors and managers accountable for their actions?

5. Is it time for all political jurisdictions in Canada to join Quebec and Manitoba in banning corporate and union donations to parties and candidates?

6. To what extent can Canada make all such changes unilaterally in a world where international competition is becoming more intense? Is there a conflict between meeting the competition and being socially responsible? Or is corporate transparency and ethical behavior actually a competitive advantage at a time when employee satisfaction and a company's "reputation" seem to be growing consumer concerns?

In conclusion, I would say that most of these questions are very similar to what liberal societies have already raised about state institutions in order to make them acceptable.

The state has been democratized in the process of finding and implementing the answers to them.

It is long overdue that the same standard of accountability for the exercise of power be applied to the modern corporation.

Mr. Broadbent is a former national leader of the New Democratic Party and the first president of the International Centre for Human Rights and Democratic Development.