

CSR Case Study:
Marine Harvest Canada
Taking Leadership

FINAL

Prepared for:
The Interdepartmental Working Group on
Corporate Social Responsibility (CSR)

1 Corporate Overview

Nutreco is a global foods company with two major business streams: agriculture (60%) and aquaculture (40%). The company was founded in 1994, and chose its name as a statement of the company's commitment to nutrition, economy and ecology. Nutreco was formed through a management buyout (going private through management's purchase of outstanding shares), with significant backing from institutional investors. The oldest of Nutreco's operating companies, is Skretting, which dates back to 1899. Skretting is one of the first feed producers in Europe. Nutreco is headquartered in the Netherlands and has operating companies in more than 20 countries including the Netherlands, Spain, Germany, Canada, Chile, France, Portugal, Poland, Chile, France, Scotland, Belgium, Hungary, Norway, Australia, and the USA.

Nutreco Aquaculture has salmon farming operations in Norway, Chile, Canada, Scotland and Ireland, as well a small share in salmon farming activities in Australia. Within Nutreco, the salmon aquaculture operating company is Marine Harvest which is the world's largest producer of farm salmon and which produced approximately 152 000 tonnes of fish in 2000. Nutreco is also one of the world's largest fish feed producers. In 2001, Nutreco's sales were EUR 3835.3 million¹ and the company had approximately 11000 employees worldwide. Marine Harvest Canada has approximately 300 employees.

As a leading breeder of poultry and pigs, **Nutreco Agriculture** produces livestock for traditional and modern farms. Nutreco also produces vitamin and mineral pre-mixes which are high-value ingredients and nutrients for animal feed producers throughout the world. In Europe, Nutreco mills produce feeds for poultry, pigs, ruminants and many other species and also produces dry food for pets.

This case study describes Nutreco's company-wide corporate social responsibility (CSR) policies and programs and highlights how these policies and programs are translated and applied in the Canadian aquaculture subsidiary of Marine Harvest Canada. While there are also other small Canadian Nutreco operating companies (in Ontario and New Brunswick), the focus for this case study is on the operations of Marine Harvest Canada, based in Campbell River, British Columbia.

2 Business Context

In recent years, most wild fish stocks have been declining meanwhile the consumer demand for fish continues to increase worldwide. Aquaculture and fish farming has been expanding to meet the growing global demand for seafood, and at the same time, this sector has faced - and continues to face - serious concerns over sustainability and effects on the marine environment.

¹ Nutreco's 2001 Annual Report http://www.nutreco.com/html/annualresults/annual_report_2001UK/2001profile.html

Unlike land-based farming, which operates primarily on private land, aquaculture utilizes and impacts a public resource—the world’s oceans and fresh water. The need to be accountable to the public is an obvious driver for CSR in this industry in general, and for specific CSR activities such as transparent communications with a large and diverse group of stakeholders.

Despite the fact that aquaculture is critical in meeting the growing consumption of seafood products, many stakeholders, including governments, scientists, fisherman, environmental non-governmental organizations (ENGOs), and First Nations communities, have voiced concern about potential threats to marine resources through improperly managed aquaculture practices. Concerns relate to the interactions of escaped fish farmed fish and wild fish, the impact of waste on the ocean bottom near farms which can lead to eutrophication of coastal waters, the use of antibiotics and pesticides, and the use of fish oil and fish meal which are derived from wild fisheries.²

In addition to environmental concerns specific to fish farming, recent concerns over the health and safety of the global food industry in general (BSE in beef production systems, GMO contamination and StarLink Corn episode at Kellogg’s³) have increased pressure on food companies to become more accountable and responsible to the global communities whom they supply with food. In the context of aquaculture, there are concerns about high levels of dioxins, and to a lesser extent, PCBs in the fishmeal used to feed salmon. In general, “transparency is vital in the food sector”.⁴ Nutreco, like other companies in the business, is under increasing pressure to be able to publicly demonstrate the safety of its products.

Together, Unilever, one of the world’s largest buyers of frozen fish, and World Wildlife Fund (WWF), an international conservation organization, established the Marine Stewardship Council (MSC) in 1997, to address stakeholder concerns and alleviate pressures specific to the aquaculture sector. The two organizations had different motivations for participating in the joint endeavour but similar end goals. Unilever, which owns many valuable seafood brands, realized that the future of this business line would be jeopardized if efforts were not made to reverse the threat posed by overfishing. WWF was concerned about the effects on natural ecosystems caused by over fishing and the potential environmental impacts of improperly managed aquaculture facilities. Box 1 describes the activities and mission of the MSC in more detail.⁵

The MSC developed an environmental standard for sustainable fisheries, which also includes policies specific to aquaculture, against which any fishery can be independently assessed or certified. If the standard is met, the fishery can affix an MSC sustainability logo (very similar to an eco label) to its products that educate consumers on best environmental practice in the seafood

² Taken from PEW Ocean Commission inquiry into Sustainable Aquaculture, August 2002. www.pewoceans.org

³ Kellogg’s was forced to stop production at a Memphis cereal plant because of contamination by a variety of GMO corn that is meant only for animal feed. The corn, called StarLink, is not approved for human food because scientists believe it could trigger dangerous allergic responses in some people.

⁴ Piet Sprengers, Director Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO), the Netherlands (The Dutch Association of Social and Sustainable Investors/Investors for Sustainable Development).

⁵ The Marine Stewardship Council Online website. www.msc.org

industry. The MSC is supported by a broad coalition of organizations including corporations, NGOs, industry associations and others.

Box 1: The Marine Stewardship Council (MSC)

The MSC is an independent, global, non-profit organisation based in London, UK. In a bid to reverse the continued decline in the world's fisheries, the MSC is seeking to harness consumer purchasing power to generate change and promote environmentally responsible stewardship of the world's most important renewable food source.

The MSC has developed an environmental standard for sustainable and well-managed fisheries. It uses a product label to reward environmentally responsible fishery management and practices. Consumers, concerned about overfishing and its environmental and social consequences will increasingly be able to choose seafood products that have been independently assessed against the MSC Standard and labelled to prove it. This will assure them that the product has not contributed to the environmental problem of overfishing.

Though operating independently since 1999, the MSC was first established by Unilever, the world's largest buyer of seafood, and WWF, the international conservation organisation, in 1997. It is this exciting and unique green-business partnership that has been praised by world leaders.

The MSC has succeeded in bringing together a broad coalition of supporters from over 100 organisations from over 20 countries.

The MSC has a staff of 20 and is headed by the Chief Executive who reports to the Board of Trustees. Crucial to the MSC is that it must operate openly and transparently. The MSC programme works through a multi-stakeholder partnership approach, taking into account the views of all those seeking to secure a sustainable future.

www.msc.org

The Marine Stewardship Council is an example of an international multi-stakeholder group working towards ensuring that the fishing and aquaculture industries operate in a sustainable manner, which in turn earns the trust and respect of global consumers. Nutreco fully supports the concept of ensuring and certifying wild fisheries as part of an overall global scheme to ensure the sustainability of wild fisheries.⁶

Marine Harvest Canada – Operations in British Columbia

Marine Harvest Canada currently operates 16 fish farms in British Columbia (BC). Given BC's historical wild salmon fishery, the associated commercial fishing sector, and the dramatic transition process which the commercial fishery sector has experienced, BC is a challenging province for salmon farming operations. At the same time, the province is ideal for aquaculture

⁶ Added by Vivian Krause, Nutreco's Corporate Development Manager. December 10th, 2002. Follow up to personal interview with Ms. Krause on July 16th, 2002.

operations because of its close proximity to the USA, the world's fastest growing salmon market. As a result of conservation concerns in the wild salmon fishery and environmental concerns about the aquaculture sector in general, there has been considerable debate in over salmon farming in BC, between the aquaculture sector, government, First Nations and environmental groups.⁷ In 1995, the BC government, in consultation with the federal government, imposed a moratorium on new fish farms in the province. This moratorium remained in place for seven years, until September 12th, 2002 when the provincial government lifted the moratorium and re-opened the process by which companies can apply for permission for new farm sites. Simultaneously, the provincial government enacted a new Waste Management Act to which salmon farm companies will be held responsible for the impact of salmon farming on the ocean bottom underneath, and in the immediate proximity, of the salmon farm.⁸

The Honourable John van Dongen, Minister for Food, Agriculture and Fisheries, states that BC's new regulations will be the toughest and most comprehensive regulations in the world.⁹ The BC Ministry of Water, Land, and Air Protection has introduced a new finfish aquaculture waste control regulation that includes provisions for registration, waste discharge standards, pre-stocking requirements, domestic sewage requirements, best management practices, monitoring and reporting, remediation, fees, offences and penalties. Some critics have voiced disappointment with the decision to lift the moratorium, and claim that "regulations aren't enforced anyway so it does not matter how tough the new regulations are". Aquaculture companies have expressed frustration that it has taken two years and longer for the provincial and federal governments to review salmon farm applications, and that the provincial government has held a moratorium in place for seven years.

In addition to environmental concerns that the aquaculture sector in BC is working to address, some First Nations are involved in comprehensive treaty negotiations with the federal and provincial governments. There is concern that some companies are getting fish farm permits in areas where there are territorial disputes that have not yet been settled through the treaty process. This past September, the Heiltsuk First Nation of Bella Bella sued the province of BC, because salmon farming licenses had been issued in what the Heiltsuk claim is their traditional territories and the Heiltsuk feel that this has been done without proper consultation as required by Canadian law. This complicated issue further compounds the business pressures and challenges affecting long-term tenure and access to water resources for many resource-based companies, including Marine Harvest Canada.¹⁰

⁷ Personal Interview with Vivian Krause, Nutreco's Corporate Development Manager. July 16th, 2002.

⁸ Added by Vivian Krause, Nutreco's Corporate Development Manager. December 10th, 2002. Follow up to personal interview with Ms. Krause on July 16th, 2002.

⁹ BC Criticized For Lifting Fish Farm Ban. CBC News. September 13th, 2002.

¹⁰ Personal Interview with Vivian Krause, Nutreco's Corporate Development Manager. July 16th, 2002.

3 Committed to Partnering with First Nations Communities

Salmon are an integral part of the culture and the economy of First Nations communities along British Columbia's central coast. Given the pursuit of First Nations to have a larger role in managing salmon resources, and the debate over the environmental impacts of fish farms, some First Nation Communities in British Columbia are opposed to fish farming practices.

Since many of BC's fish farming operations are in the traditional territories of First Nations, developing trusting relationships and partnerships with First Nations is central to the success of the aquaculture sector. The relationship between Marine Harvest BC and the Kitasoo/Xai'xais Nation is an example of such a success and an area of CSR where Marine Harvest Canada is clearly demonstrating leadership.

The relationship between Marine Harvest Canada and the Kitasoo is defined by a comprehensive agreement that was signed in 1998. Previous to the development of the partnership, the economy of the Kitasoo/Xai'xais Nation was tied to the wild salmon fishery with residents of the main community of Klemtu working in the commercial fishing sector. In recent years, as the wild salmon fishery experienced considerable conservation concerns, decreases in commercial fishing opportunities have had significant impacts on the local economy. As a result, in the late 1980s the Kitasoo/Xai'xais began salmon farming. In the early 1990s, aware of the consolidation taking place in the sector and the financial resources required to complete, the Kitasoo/Xai'xais began looking for business partners to build and sustain fish farming infrastructure in their traditional territory.

In 1996, Marine Harvest Canada was looking for opportunities to expand their operations in British Columbia. At the time, the Kitasoo had an unoccupied tenure for a fish farm. Such tenures were at a premium in BC as the provincial government had placed a moratorium on the expansion of fish farms. Marine Harvest Canada approached the Kitasoo to begin discussions about forming a business partnership. The agreement that eventually emerged covered a number of issues such as environmental protection, local hiring, siting of net pens, providing processing opportunities to support the Klemtu processing plant (owned by the Kitasoo), and training. The key to the agreement—and the relationship between the Kitasoo and Marine Harvest—is that both parties recognize that they must both benefit for the relationship to work.

The agreement between Marine Harvest Canada and the Kitasoo/Xai'xais Band Council states that the fish farm operations cannot do “damage”—as defined by the First Nation—to wild species that are traditionally used by the Kitasoo. The species addressed by this aspect of the agreement include wild salmon, sea cucumbers, sea urchins, prawns, clams and others. The Kitasoo/Xai'xais maintain an independent environmental monitoring program which is implemented by Kitasoo people including dive teams, to ensure that damage to wild species is not occurring. While it has not been yet been exercised, the Kitasoo also have the power to order fish farm operations to be shut down if negative impacts to wild species are determined to be

occurring. The sharing of power and recognizing the Kitasoo's power as the tenure holder have given the Kitasoo the assurances they need and allowed them to give Marine Harvest their license to operate.

The company's commitment to the agreement also extends to supporting the Kitasoo in their efforts to rebuild local wild salmon stocks. Currently, the Kitasoo have a number of enhancement activities underway including a hatchery that supports stock rebuilding efforts. Larry Grebba, fisheries consultant for the Kitasoo, believes that the company is sincere in its commitment to sustaining wild salmon stocks and working to have wild salmon and the fish farm sector co-exist.

As evidence of this commitment, Marine Harvest Canada has provided funding to support local hatcheries and enhancement projects and have provided access to the companies research and technical expertise. For example, Marine Harvest Canada has supported the Kitasoo in their efforts to learn more about disease that is affecting local wild salmon stocks. The company has assisted in collecting and analyzing samples in support of this research being undertaken by the Kitasoo.

The environmental objectives of the agreement appear to be working. The main indicator of success, in the mind of Chief Percy Starr, Band Manager and Chief Councillor of the Kitasoo/Xai' xais Nation, is the fact that his people still harvest and consume marine species that they have traditionally harvested. Chief Starr believes that many of the negative impacts associated with fish farms in other parts of the province have been avoided in his community, because the Kitasoo First Nation have been active participants in decision making. For example, the Kitasoo, using traditional knowledge and contemporary research methodology, have identified appropriate sites for fish farms (i.e., with good tide flow), and Marine Harvest has accepted the advice of the First Nation regarding where to site pens.¹¹

The agreement has given the Kitasoo significant new economic opportunities. Annually, about six million pounds of salmon, are processed from Marine Harvest facilities in Klemtu. This processing work injects approximately \$1 million dollars into the local economy, which is significant for a small community of only a few hundred people. In addition, a number of members of the community are employed at three Marine Harvest Canada fish farms in the region. Another three facilities are planned for the future.¹²

Chief Starr, believes that the agreement is important, but what really makes the relationship work is the respect that Marine Harvest gives to the Kitasoo First Nation. The success of the relationship is partly a result of the time and effort that the company and the First Nation have taken to learn about each other prior to signing a business agreement. While this process took close to two years, the relationship that has emerged appears to be supportive of the goals and aspirations of both parties.

¹¹ Personal Interview with Chief Starr, Band Manager and Chief Councillor of the Kitasoo/Xai' xais Nation. Summer 2002.

¹² Personal Interview with Chief Starr, Band Manager and Chief Councillor of the Kitasoo/Xai' xais Nation. Summer 2002.

4 Nutreco's CSR Journey

Nutreco sees itself as a leader in the industry and recognizes that being an industry leader brings great responsibility. Earning a reputation as a leader in the aquaculture industry has not been trouble-free, given the considerable debate revolving around the potential impacts of fish farming discussed in the Business Context Section of the case study. Nutreco has had to address these concerns internationally as the long-term security of the company's business depends on its social license to operate from communities, regulators, NGOs, consumers and other stakeholders. The company recognizes that transparency and broadening its traditional definition of stakeholders is important to its reputation as a leader. This is a belief that the company publicly voices in its 2001 Social and Environmental Report:

"A company should be judged on more than its financial performance. Characteristics such as openness to, and regard for, the communities in which it operates are also important factors if a company is to earn a sustainable place in society".

According to Vivian Krause, Nutreco's Corporate Development Manager, CSR is an "evolving journey" for Nutreco. Since its inception in 1994, the company has considered CSR an integral part of its business, not a separate program. Most companies operating under the Nutreco umbrella had been in existence a long time before the 1994 merger and therefore already had well-established health, safety and environment policies of their own. Not a lot changed in 1994 with the merger other than a more formal public commitment from senior management to be an industry leader. The CSR objectives set out in the company's *2001 Social and Environmental Report* are overarching, and Nutreco has tried to weave CSR into all aspects of its business operations. Despite the overarching objectives, each company has the autonomy to work toward CSR objectives in its own way. Each facility manager decides where best to focus its CSR energies, which vary depending on the country or local community of operation. Therefore, Marine Harvest Canada has guiding objectives or principles from the parent company within which it operates, but at the same time retains enough autonomy in its execution to decide on priorities and give precedence to those elements of CSR or program areas deemed more important to the community in which it operates (e.g., relations with aboriginal groups is more of a priority CSR program in northern BC than it might be in Scotland).

Although there is a strong vision of Corporate Social Responsibility at Nutreco's corporate headquarters in the Netherlands, it is a challenge for the company to apply, in a consistent manner, its corporate policies and programs at operations in over 22 countries with significantly different regulatory environments. According to Vivian Krause, the company takes a decentralized approach to implementing its CSR policies. As part of this decentralized approach, not all CSR policies from the parent company are acted on to the same extent at all operations. In addition, corporate headquarters offers guidance and training for employees around responsible corporate behaviour but does not dictate specific programs or practices to be followed.

All of Marine Harvest Canada's operations share similar ethics to Nutreco's corporate-wide CSR policies and objectives. However the BC operation vocalizes this commitment much less formally. While this somewhat informal approach to CSR contrasts somewhat with that of the parent company, there is an undeniable commitment to adopt its CSR programs to local context.

In November 2001, Marine Harvest Canada was awarded the first annual *Herb Dhaliwal Sustainable Aquaculture Award*, presented by the Canadian Aquaculture Industry Alliance (CAIA).¹³ The award was presented to Ron Kilmury, Managing Director, Nutreco North America, Marine Harvest Canada, for making tremendous strides in sustainability for the Canadian aquaculture sector. The Honourable Herb Dhaliwal congratulated Mr. Kilmury on "his exemplary leadership in the aquaculture industry. The initiatives he has developed and implemented have played a pivotal role in working toward the environmentally-sustainable development of the aquaculture industry".¹⁴ CAIA President, Anne McMullin stated that, "although Kilmury directs a significant part of the world's largest salmon farming company, he maintains his focus on sustainability". "Ron strives for win-win solutions and believes his organization is accountable to all its stakeholders, including government and the public," noted McMullin. "His demand for high standards in product quality and performance has taken his companies to leadership positions with respect to environmental practices in coastal communities".¹⁵ This award is an excellent example of Marine Harvest Canada's achievement and commitment to sustainability and CSR, an extension of Nutreco's corporate-wide CSR strategies and programs.

As part of the company's continuing worldwide journey in CSR, Nutreco looks for new ways of engaging stakeholders in dialogue, particularly ENGOs who may be able to work with the company to address some of the environmental issues facing the sector.

5 CSR at Nutreco

Nutreco's CSR Vision and Policy

Nutreco's corporate vision is "to combine transparency with continuing vigour through participation in food value chains. Nutreco aims to provide consumers with food that clearly is safe, healthy and nutritious and that comes from sustainable resources, while maintaining an enlightened attitude towards employees, society and the communities in which it operates, to the environment and animal welfare".¹⁶ Nutreco has a number of measures to ensure that its operations are conducted according to the corporate vision and that they are in line with internationally accepted economic, social and environmental standards. Nutreco's *Credo*¹⁷ (Box 2)

¹³ "BC Industry Leader Wins First Annual Herb Dhaliwal Sustainable Aquaculture Award". Canadian Aquaculture Industry Alliance Press Release; Ottawa, Ontario. November 28th, 2001.

¹⁴ "BC Industry Leader Wins First Annual Herb Dhaliwal Sustainable Aquaculture Award". Canadian Aquaculture Industry Alliance Press Release; Ottawa, Ontario. November 28th, 2001.

¹⁵ "BC Industry Leader Wins First Annual Herb Dhaliwal Sustainable Aquaculture Award". Canadian Aquaculture Industry Alliance Press Release; Ottawa, Ontario. November 28th, 2001.

¹⁶ Taken from Nutreco's 2001 Social and Environmental Report. Chapter 3: Vision for Growth.

¹⁷ Taken from Nutreco's website. Society & Environment page. www.nutreco.com

and the company's *Code of Ethical Conduct* both provide a strong foundation for Nutreco's commitment to CSR. The Corporate Communications office has the task of ensuring that the standards and principles set out in Nutreco's *Credo* are clearly and adequately communicated throughout the company.

Nutreco's corporate-wide *Credo* outlines the company's understanding and acceptance of its responsibilities towards people and our planet. Nutreco's *Code of Ethical Conduct* (Box 3) lays out requirements and expectations of the company and its employees. This is communicated to employees during their orientations when they join the company.

Box 2: The Nutreco Credo—Social and Environmental Responsibilities

Nutreco accords the highest priority to the production and supply to the consumer of food and food products that are safe, healthy and nutritious. These products will be provided at a fair price, in a sustainable manner and with appropriate verification. Nutreco will contribute to this objective at every point in the food value chains where it is active and, through these contributions, will seek continuous improvement. In fulfilling its objective, Nutreco will respect the different opinions and stimulate dialogue with all stakeholders.

Nutreco will provide employees with safe, worthwhile and fairly remunerated jobs. The company will observe the interests of people and the society in which it works and will respect their rights and wishes. Nutreco will treat fairly all suppliers, of goods or services, and will not misuse positions of power. It will treat customers likewise.

Nutreco respects the value of the natural environment. It will seek to ensure that the environmental impact of its activities is sustainable and will help suppliers and customers to act in a similar manner.

Nutreco will work continuously to improve animal welfare and will encourage suppliers and customers to do likewise.

Nutreco believes that the presence of any Nutreco business or operating company should benefit the community in which it is located. Benefit is provided by its contribution to the local economy, through employment and purchasing, and by using its knowledge to the advantage of that community.

Nutreco sets out a number of priority areas for the company's CSR strategy and programs in its *Credo*. These are: reporting and communicating with stakeholders; ensuring quality safe food for global customers; maintaining safe and respectful working conditions for employees; operating with respect for the environment and animal welfare; and committing to the well-being of local communities where the company has operations. The next section will highlight best practices from the aforementioned CSR program areas for Nutreco and for Marine Harvest Canada.

Box 3: Nutreco's Code of Ethical Conduct

Employment

- *The company shall provide a safe and healthy working environment and shall take adequate steps to prevent work-related accidents and injury.*
- *People will be treated with dignity and respect. Cultural differences between the countries in which Nutreco operates will be acknowledged and respected.*
- *All Nutreco staff or applicants for a vacancy with Nutreco shall be offered equal opportunities without discrimination of gender, race or religion.*
- *Nutreco staff shall be entitled to join the Trade Union of their choice.*
- *The minimum age for admission to employment or work shall not be less than the age of completion of compulsory schooling as set by national law and, in any case, shall not be less than 15 years.*

Corruption

- *No financial or other advantages shall be offered to officials or any third party with the purpose that such official or third party should act or refrain from acting in relation to the performance of his duties with a view to obtain or retain business or other improper advantage. No gifts or personal favours of any commercial value may be accepted from a third party.*

Integrity of records

- *Records of transactions reflect reality completely and accurately in accordance with Nutreco's accounting practices. No unrecorded funds or assets are established or maintained.*

Copyrights

- *Copyright laws shall be abided with throughout all Nutreco operations. Software should only be used when duly licensed.*

Political contributions

- *Nutreco does not make political contributions in any of the countries where it operates.*

Compliance

- *Applicable laws and regulations, including applicable national and international competition law requirements, should always be adhered to.*
- *Every employee is personally responsible and accountable for compliance of the Code of Ethical Conduct. Violation of these standards can lead to dismissal and legal prosecution.*

6 CSR Program Areas

6.1 Reporting and Communication with Stakeholders

The reporting and communications aspect of CSR is a main priority for the company. Improving dialogue with all of the company's key stakeholders and becoming more transparent overall, is key to ensuring a successful future for the company's business. Nutreco has taken on several initiatives to improve communication efforts with its stakeholders.

AquaVision Conferences

Nutreco initiated an annual conference four years ago called AquaVision—an opportunity for the company to meet with its key stakeholders (i.e., decision makers, farmers, processors, retailers, media, etc), invite critics of the sector to learn and share concerns, and to enhance the overall transparency of the company. The AquaVision conferences are the only global forum for the aquaculture industry and are dedicated to addressing the sector's main challenges—the aquaculture value chain, consumer perception, the regulatory environment, innovation through knowledge management and creating confidence for the aquaculture industry in the future. Nutreco Aquaculture organized the 2002 AquaVision conference in co-operation with FAO EASTFISH (United Nations Food and Agriculture Organisation), EUROFISH Magazine, BASF—a leading company in feed additives for sustainable salmon production—and Fish Farming International—the leading international aquaculture magazine.¹⁸ Nutreco values this collaborative approach to conference organizing and believes that better solutions to issues often result from effective multi-stakeholder dialogue. Nutreco believes that improving stakeholder dialogue will also work to reduce misconceptions of the sector that have hampered growth in the past.¹⁹

Social & Environmental Report

Nutreco has published two corporate-wide Social & Environment Reports (i.e., 2000 and 2001), in order to provide more than just financial information to the public. Nutreco's 2000 Social & Environment Report received awards in the Netherlands, from the Association of Environmental Accountancy and the Dutch Association of Social and Sustainable Investors/Investors for Sustainable Development. In addition, the company was recognized as the “best first-time reporter” by the Dutch Institute of Chartered Accountants and was nominated for the European Environmental Report Award.

¹⁸ AquaVision 2002 website, <http://www.aquavision.nu/>

¹⁹ Personal Interview with Vivian Krause, Nutreco's Corporate Development Manager. July 16th, 2002.

Nutreco takes into account the *Sustainability Reporting Guidelines* of the Global Reporting Initiative (GRI) when developing its Social and Environmental reports. The company is committed to continually improving its corporate-wide report.

Nutreco believes that the corporate-wide Social & Environment Report, together with the presence of Nutreco's *Credo*, have helped to raise the profile of social and environmental responsibility within the company, and triggered many operating companies to look more carefully at their performance and to identify opportunities for improvement. Staff from Marine Harvest Canada support this view, noting that it was Nutreco's Social & Environment Report that influenced them to take a closer look at where business practice improvements can be made. In the 2001 report, Nutreco added a chapter that profiled its operation in Chile. In future years, the company will profile other Nutreco countries of operation to highlight their business practices.

Despite the success Nutreco has had with its growing Social and Environmental Reporting program, there is room for improvement. Many of Nutreco's operations do not yet produce operations-specific reports on environmental and social performance. In the case of Marine Harvest Canada, the company's social and environmental reporting is one CSR program area that the company plans to develop in the near future. Krause indicated that Marine Harvest Canada places importance on improving communications with the public as a means of increasing transparency and addressing stakeholder concerns around salmon farming. As such, Marine Harvest Canada intends to soon publish an annual report focusing on its local operations.

Corporate Reputation Officers

Another notable milestone for the company is the launching of Corporate Reputation Officers at the company. Nutreco's Corporate Communications Department seeks to ensure that all aspects of the company's business practices (i.e., precautions, safeguards and principles of operation) are fully communicated through continuous dialogue with stakeholders, including the media, shareholders, regulatory authorities, public interest groups and the community at large. In 2001, the Corporate Communications Department appointed a team of Corporate Reputation Officers (CROs) to represent the company in all activities and regions.

The company has CROs at two levels—the executive level CROs—who provide an overview and ensure that the necessary time and resources to do the job are made available—and the operational level CROs—operations managers who carry out regional-specific communication plans. This initiative puts into practice one of the *Credo* commitments: “Nutreco will respect the different opinions and stimulate dialogue with all stakeholders”.

The main driver for these CROs was Nutreco's desire to eliminate the communication gaps between its stakeholders and the company. The company feels that many of the criticisms of the company arise out of misinformation and lack of information. CROs will assist the company in getting messages out and increasing accountability for the company; CROs must respond to the

public. The company believes it must do a better job of responding to the media, and according to Krause, the CROs attempt to ensure that the media has the correct information.

In the case of Marine Harvest Canada, collectively the communications efforts (i.e, reporting, CROs, conferences) outlined above are being looked at to help the company engage in dialogue with key stakeholders, including critics, and to take the next step in addressing issues facing the company and the sector. For example, the company is exploring ways to develop more formalized relations with ENGOs. Marine Harvest Canada currently participates in a multi-stakeholder engagement process to address issues in the sector that are facilitated by the federal government. The company is also working towards holding forums where Marine Harvest personnel and ENGOs can collaborate to explore and find solutions to sector-specific issues. Marine Harvest Canada believes that such dialogue will help the company gauge how well it is meeting the expectations of stakeholders and to stay on top of changing expectations.

Jim Lornie, Mayor of Campbell River, BC, and a commercial fisherman, supports the company's position that Marine Harvest Canada is a leader in CSR among aquaculture companies in BC and that it is committed to exploring solutions to the challenges facing the sector. "All businesses have some impact on communities and the environment. Marine Harvest Canada works hard at understanding the impacts they are responsible for and look for ways to mitigate those impacts".²⁰

6.2 Employee Safety & Respect

The second area of best practice for Nutreco is its Employee Council Program—an innovative and effective CSR program in the area of human resource and employee relations. The councils, which are being initiated at operating companies, consist of about five employees who are elected annually. Each council is given a budget and has to fulfill specific objectives (e.g., hear grievances, determine charitable donations for local communities, plan annual picnics or birthday parties, etc). The councils also provide an opportunity for employees to make recommendations to management for improving efficiency, health and safety aspects or environmental impacts of the operation. The company, which is non-unionized, finds employee councils to be an effective process for enabling employees to get involved in their work life and have their voices represented. One fish farm that was unionized at the time that it was originally purchased by Nutreco actually chose to de-unionize as it found that its needs were met by the company and the employee council. Marine Harvest operations in Canada currently have two employee councils that have been quite successful. A third council is now being initiated at one at the company's New Brunswick operations.

Nutreco has a comprehensive Health, Safety, Environment and Quality (HSE&Q) policy and a program at the corporate level that is being disseminated throughout all operations. Nutreco's long-term goal is to conduct HSE&Q audits of its manufacturing and processing plants every four years. These audits began in 1990 and incorporate several International Labour Organisation

²⁰ Personal Interview with Jim Lornie, Mayor of Campbell River BC. Summer 2002.

(ILO) conventions (e.g., employment, child labour, forced labour etc.) Nutreco has also endorsed the standards set out in SA8000 (Social Accountability), which are integrated into the HSE&Q audit system.

Nutreco has started to report on a number of benchmarks, following the Global Reporting Initiative's *Sustainability Reporting Guidelines*, related to employee relations in its Social and Environmental Report. Goals and measurable targets for improvement are being developed. The employee relations indicators reported on include:

- Number of employees, turnover rates, distribution of employees among office /staff /management positions;
- Gender ratios, percentage women in production versus management etc.;
- Age, education and duration of employment for employees; and
- Hours of training per employee, expenditure per employee (for training and career development), etc.

Ms. Krause emphasized that the company's commitment to communities and employees is interdependent because what the company does for employees benefits the local communities and what it does to support local communities has obvious benefits for its' employee satisfaction and well-being.

This is certainly the case in the example of training in small rural communities where the company commits to hire local people whenever possible for their farming operations. Marine Harvest Canada worked with local authorities, community leaders and the North Island College, on Northern Vancouver Island to develop a remote-based aquaculture training programme. This facilitated the development of fish farms and employment opportunities in two First Nations communities with previously very high unemployment levels. One village where Marine Harvest Canada now operates is Klemtu. In September 2000, the first 14 students of the Kitsoo Nation graduated and are now working on the Klemtu farms. The employment opportunities bring wages into the local community and helps foster local economic development. A similar training programme was implemented in Kyuquot Sound with the First Nation community there, and had 12 graduates in 2001.²¹

According to Mayor Jim Lornie of Campbell River, Marine Harvest Canada has demonstrated a great deal of leadership in working with local communities. "The company has developed an effective partnership with the Kitsoo First Nation that appears to work well for both parties. The

²¹ Added by Vivian Krause, Nutreco's Corporate Development Manager. December 10th, 2002. Follow up to personal interview with Ms. Krause on July 16th, 2002.

partnership has helped turn around the economy of Klemtu where many other coastal communities continue to struggle with higher rates of unemployment”.²²

6.3 Environment

CSR—specifically the company’s commitment to environmental management—became more formalized in the Marine Harvest Canada operations when in 2002 the company achieved ISO 14001 certification for its environmental management system (EMS). Registering its EMS was felt to be a necessary step as a leader in the aquaculture industry. Taking this step was in-line with Nutreco’s vision and values.

To address concerns of stakeholders concerning siting of salmon farms, Marine Harvest Canada has developed environmental assessment criteria for the site selection processes. As discussed in the following section, First Nations play a significant role in identifying the criteria to be used when selecting appropriate sites for fish farm operations. These criteria ensure that a broad range of important factors (e.g., tidal flushing, presence of species harvested by First Nations, etc.) are considered when Marine Harvest Canada wants to build a new farm.

In addition to siting considerations, Marine Harvest Canada has strengthened the anchoring systems on all farms and has invested in new infrastructure and technology such as underwater cameras and automated feeding systems. Marine Harvest Canada plans to be in business in British Columbia for a long time. Over the longer period, the company expects to see the investment in superior infrastructure as a good business decision from a number of perspectives. This approach is not uncommon for Marine Harvest Canada which has made similar infrastructure investment decisions such as purchasing four-stroke engines, versus two-stroke engines; the former uses less fuel. In 2001, the company planned and began construction of a \$6.25 million (CDN) recirculation hatchery that combines low water use, energy efficiency, waste recovery and treatment improvements. Water requirements of the new facility are between 1% and 5% of conventional flow-through hatcheries.

Additional environmental initiatives undertaken by Marine Harvest Canada include the company’s participation in the BC government’s Salmon Aquaculture Policy Framework pilot studies. Under this program, Marine Harvest Canada is testing the technical and economic feasibility of enclosed bag pens in comparison with traditional net pens.

Many of the actions taken by specific operations, with respect to environmental initiatives, can be traced back to targets identified in Nutreco’s company-wide 2001 Social & Environment Report. Nutreco’s environmental targets are set at the corporate level and generally apply corporate-wide, although operations managers have the autonomy to prioritize and pursue environmental performance improvements that are deemed most necessary in their region. This provides room and opportunity for stakeholders to play a role in determining which areas of environment

²² Personal Interview with Jim Lornie, Mayor of Campbell River, Summer 2002.

performance receive the most attention, as Nutreco listens to the concerns of its stakeholders and tries to respond accordingly.

In addition to initiatives taking place at Marine Harvest Canada to address operation-specific environmental issues, other Nutreco entities are undertaking initiatives that are intended to address sectoral issues. For example, between 1995 and 2001, the use of fish oil in aquaculture (i.e., feed production) grew from 18% to 70% of world production, while the use of fish meal grew from 15% to 40% of world production. Based on such numbers, the company's 2001 Social and Environmental Report recognizes that the future growth of the sector is unsustainable if fish meal and fish oil usage continues to grow at a constant rate. In response, Nutreco has developed new feed formulations which substitute non-marine ingredients for fish meal and fish oil.²³

Another, more global concern facing fish farming is the presence of contaminants such as dioxin and PCB's in fish feed ingredients. Contaminants are present in virtually all foods and food manufacturers have a duty to ensure that unsafe levels are not exceeded. Nutreco has explored possibilities for "cleaning" fish oil and removing contaminants as well as obtaining fish feed from selected regions, such as the South Pacific, where contaminant levels are lowest. Nutreco has also developed fish feed formulation criteria for ensuring that the omega-3 fatty acid content of salmon is the same or higher as that found in wild salmon.²⁴

6.4 Local Communities – First Nations Partnerships

Marine Harvest Canada has a commitment to developing strong relationships with First Nations people. This was described in detail in Section 3 of the case study. Experience has shown Nutreco that successful relationships must be mutually beneficial. The company contributes to the community where it operates through employment opportunities and economic development. The First Nations communities are involved in the business as employees and the Band Council has a role in overseeing the business operations to ensure that the Band Council's expectations are met. The Kitsoo Band Council also implements an independent Environment Monitoring Program and shares knowledge of the local ecosystems and waters with Marine Harvest Canada employees. The development of salmon farming along the BC coastline depends to a large extent on the earning of trust and license to operate from First Nations people. The relationship between Marine Harvest Canada and the Kitsoo/Xai' xais Nation is an example of an extremely successful partnership between a First Nation and a company. It is also an area of CSR where Marine Harvest Canada has demonstrated leadership within the sector.

²³ Added by Vivian Krause, Nutreco's Corporate Development Manager. December 10th, 2002. Follow up to personal interview with Ms. Krause on July 16th, 2002.

²⁴ Added by Vivian Krause, Nutreco's Corporate Development Manager. December 10th, 2002. Follow up to personal interview with Ms. Krause on July 16th, 2002.

7 Key Drivers and Benefits for Nutreco

Aside from just “believing” that what it is doing “is right” and that it will pay off in the long term, Nutreco and Marine Harvest Canada cite many business benefits of implementing CSR policies and programs.

Obtain and maintain their license to operate. As stakeholder expectations continue to evolve, Nutreco believes that those companies that are able to establish open channels of communication with their stakeholders will obtain and maintain their license to operate into the future. Stakeholder expectations are significant drivers for many of Nutreco’s CSR program areas (reporting, improved engagement, reducing environmental impacts, etc.). Companies must not forget that a licence to operate is granted by society and that it needs constant renewal. In addition to government regulations, there are the informal demands of society, expressed through bodies such as NGOs. The value of a company also depends on investor confidence. A threat to revoke this licence will dramatically reduce this confidence. Nutreco works proactively to reduce the associated business risk.

Market Access. Nutreco also realizes that food companies must be accountable and transparent to their customers who have become more aware of the issues surrounding the food industry given the recent agricultural issues in Europe (e.g., BSE, foot and mouth disease, etc). Customer selection is influenced heavily by company reputation. Market access for Nutreco products therefore hinges on it having a good reputation among consumers and ultimately, global society.

Avoid Future Liabilities. Responsible corporations become aware of emerging issues before they become mainstream concerns and, by anticipating these, they can avoid future liabilities. This can lead to a competitive advantage.

Attracting and retaining high quality employees is also directly influenced by a company’s ethics and reputation. Nutreco finds that increasingly employees do not leave their values at the entry gate.

8 Organizational Success Factors and Lessons Learned

While Nutreco and Marine Harvest Canada are committed to CSR and share a common vision of CSR for the company, challenges still remain.

Vivian Krause of Marine Harvest Canada identified that the major challenge for the company is engaging in dialogue with critics in a more effective manner and thereby more effectively managing the company’s business risk. Compounding this challenge, she believes that CSR expectations of fish farming companies in BC are very high because of the environmental concerns—real or perceived—which are associated with the sector. The issues are complex, and

for many reasons, can be quite emotional. The company has learned that it is better to be open and honest with key stakeholders early on and to engage them collaboratively to solve problems. Nutreco finds that sharing information, including keeping one's critics informed does help to reduce misinformation and increases understanding among stakeholders. This in turn reduces the risk of the company having to react to criticisms in the media.

Nutreco and Marine Harvest recognize that continuous improvement and investment is vital. Nutreco has invested \$80 million in research in the past ten years. A key focus of research has been in the development of fish feeds in which vegetable oils and soy proteins are substituted for fish oil and fish meal. Marine Harvest Canada has invested in environmental studies for the re-location of farms, rebuilding farms and strengthening anchoring systems, new technology and infrastructure such as underwater cameras, and most importantly, in training the farm technicians. The company sees that it has a responsibility to address stakeholder concerns in order to earn the license to continue and expand operations. Marine Harvest Canada believes that above all, it is knowledgeable, experienced, conscientious people that make the difference. Many companies in the sector are making similar investments.

From Marine Harvest Canada's perspective, a final challenge relates to the economic viability of the sector in British Columbia. The company believes that if companies are more successful economically, then it is possible to investment more into CSR programs. The seven-year moratorium (recently ended September 2002) on the expansion of salmon farming in BC severely hampered the company's ability to expand operations in Canada and put the company at a competitive disadvantage compared to other countries (e.g., Chile).

9 Role of Government

In terms of roles for the Canadian government in supporting and promoting CSR in Canada, Nutreco and Marine Harvest Canada suggest three ideas:

Give recognition and awards to companies that exemplify corporate responsibility and citizenship. “Companies are like people, they need and enjoy getting recognition for hard work. Recognition is the best incentive”. As such, governments should find ways to recognize good corporate citizens and best practices as a means for motivating and rewarding those companies which continue advancing CSR.

Promote intergovernmental coordination cooperation. The food sector in which Marine Harvest Canada operates is regulated by federal and provincial agencies with some overlapping jurisdictions and responsibilities. Marine Harvest Canada does not want reduced regulation but rather, more efficient regulation. Better coordination and cooperation among agencies could help free up time and resources that the company could devote to strengthening business operations as well as to being a better corporate citizen.

Facilitate successful business. The most important thing that the government can do to stimulate corporate responsibility is to help create the conditions in which Canadian business can be successful. For example, in the food sector, government could make an important contribution by helping Canadian companies position Canadian products in the export markets as top quality products. For example, developing a "Made in Canada. Top quality, safe food" branding would be extremely beneficial to the sector.