

WORKSHOP PROCEEDINGS

GEMI Workshop #2: “Defining Transparency: Expectations and Obstacles” SUMMARY

Held at Georgia Power Company Headquarters
Atlanta, GA

May 1, 2002

SPONSORED BY

Global Environmental Management Initiative (GEMI)
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TABLE OF CONTENTS

PREFACE	1
SESSION ONE: CASE STUDY OF A CORPORATE ENVIRONMENTAL REPORT	1
GENERAL STRENGTHS/POSITIVIE FEEDBACK.....	1
SUGGESTIONS FOR IMPROVEMENT.....	2
THEMES.....	3
SESSION TWO: HOW ENVIRONMENTAL REPORTING AND TRANSPARENCY	
COME TOGETHER	4
WRAP UP AND NEXT STEPS	6
APPENDIX A: WORKSHOP AGENDA.....	7
APPENDIX B: LIST OF PARTICIPANTS.....	8

PREFACE

On May 1, 2002, the Global Environmental Management Initiative (GEMI) hosted a one-day, industry-NGO roundtable workshop entitled *Defining Transparency: Expectations and Obstacles Roundtable Workshop II*. Twenty-nine people attended, including fifteen industry participants, twelve NGO participants, and two facilitators. Participants from the non-governmental community included local and national organizations. Industry participants were from the energy, food, and manufacturing sectors.

Mr. Robin Tollett of P&G and the Chair of GEMI's Transparency Work Group welcomed the attendees and reviewed GEMI's anti-trust guidelines and the member attendees agreed to comply with the guidelines.

The purpose of this workshop was to continue the discussion begun in Oakland, CA on October 24, 2001. The focus of the May 1 workshop discussion was the definition of transparency and how corporations could report their environmental performance data and information in a more credible and transparent way. A portion of the day was dedicated to reviewing Mirant Corporation's first annual environmental report. Mirant's report was distributed to the meeting participants review prior to the workshop. The attendees used this environmental report to focus the discussion on a concrete example of environmental reporting. The discussion was informal, with ground rules making it clear that individual remarks were not for attribution and would not be taken to represent organizational positions or policy.

The agenda for the meeting covered four topic areas: a review of findings from the Oakland workshop; a focused discussion of Mirant Corporation's report; a more general discussion of transparency and environmental reporting; and a discussion of possible next steps.

SESSION ONE: CASE STUDY OF A CORPORATE ENVIRONMENTAL REPORT

During this session, workshop participants used Mirant Corporation's first annual environmental report as a template from which to generate observations about corporate environmental reporting.

General Strengths/Positive Feedback

- Striking a balance with the information provided – not just providing a good news story - is important for credibility.
- Executive messages from the CEO are an important part of the report and send the message that environmental performance is a company priority.

- An environmental policy statement, particularly if reviewed and approved by the company Board, sends the message that support for the policy “runs deep.”
- Environmental disclosures were viewed as a critical part of a corporate report, with an emphasis that avoiding being selective with this information is critical to credibility.
- Inclusion of specific policy statements, particularly those that relate to important environmental issues for the company (e.g., a climate change policy), can establish clear communication about a company’s direction.

Suggestions for Improvement

- Include information on environmental performance that goes beyond compliance – compliance is viewed as the floor (i.e., compliance is considered the minimum level of acceptable performance).
- Indicate that the company has an understanding of environmental issues that are critical to external stakeholders by discussing sense of local, regional, national, and/or global issues and challenges and indicating a sense of desired areas for future improvement.
- Provide a basis for evaluating company performance including: industry performance benchmarks, emissions/releases relative to regulatory thresholds, and/or emissions/releases relative to company established performance objectives.
- Establish explicit performance objectives against which the company reports future results.
- Facility-specific data (such as that contained in or generated through permits) are of high interest – to support this, include a list of all facilities (including location and capacity) and information on how to access facility level data.
- Provide planned environmental investment resource commitments in the context of overall corporate environmental financial commitments.
- Corporate environmental initiative profiles are most effective when tied to clear statements of the reasons for taking the action (including if it is in response to some form of regulatory requirement), areas of important environmental concern for the company, and overall environmental resource expenditures for the company.
- Include general corporate characterization information such as size, number, location, and capacity of facilities, summary financial performance, products, employee numbers, etc.

- Include at least summary environmental report information in annual financial reports and summary financial report information in environmental reports.
- Include “third party commentary” (potentially developed in the context of stakeholder involvement efforts) and references to other data sources (e.g., NGO and government reports) to add “independence” to the report. (Note: this observation was made in the context of the current lack of a well-established and universally accepted independent, 3rd party verification system. The use of independent “commentary” was viewed as an alternative means to establish credibility of a report’s content.)
- Sustainability reporting would include economic development contributions and impacts; social responsibility initiatives; supply chain-oriented information; and company diversity (as indicated through corporate make-up).

Themes

- Voluntary corporate environmental reporting (CER) represents an important step towards improved corporate transparency and credibility. A CER can indicate “openness,” and that leadership is heading in the “right direction” or “trying to do the right thing.” A CER also can represent an important statement to the public establishing accountability for a company’s environmental direction.
- Corporate environmental reports can generate negative impressions, particularly if the information provided is perceived as an incomplete or inconsistent picture of overall corporate environmental activities.
- Corporate reports struggle with attempting to address too many audiences with one publication. It may be better to use a brief, overview report to act as a “portal” to more detailed information available through more “dynamic” sources such as a web site.
- NGOs typically will not use a corporate environmental report alone as the basis for assessing a company’s performance (other “independent” sources also will be consulted).
- Profiling environmental initiatives in the annual corporate report can be an important means by which to acknowledge employee efforts and send a clear message that the company values these efforts.
- The use of the term “Stewardship” can establish very high expectations for company environmental performance commitments and achievements.
- Environmental reports should be viewed as one building block in a more general transparency process. This process would include direct, on-going stakeholder involvement that would provide outside perspectives on important areas for

environmental improvement and connect these to areas of focus for annual environmental reporting.

- The level of demand for site-specific information was not clear. Observations suggested that demand typically varies depending on the environmental impact profile of the business. The group did agree that this is an important topic for future discussions.
- A cautionary note was raised about the sole use of the Internet for supporting corporate transparency - such an approach could constrain access for individuals with fewer economic or educational resources. Therefore, it was suggested that both paper and electronic report should be developed and used.

SESSION TWO: HOW ENVIRONMENTAL REPORTING AND TRANSPARENCY COME TOGETHER

To support discussion on this topic area, workshop participants were asked to consider a variety of questions including the following:

- How do observations from Mirant's report link to transparency?
- How much does reporting alone contribute to transparency?
- What are the other dimensions of transparency?

In response to these questions and other discussion topics, workshop participants produced the following observations.

- There is a confluence of factors setting the stage for corporations to produce annual environmental reports and act, in general, more transparently. These factors include: laws and regulations that establish accountability and responsibility for environmental impacts; laws and regulations that require disclosure of environmental liabilities; independent efforts to evaluate corporate environmental performance for purposes of influencing investment decisions; shareholder interest and interventions reflecting environmental performance concerns; and a general cultural shift that is expanding the public nature of traditionally private enterprises.
- Corporate environmental reports can be an important transparency building block making the following contributions to transparency: provide a clear internal message to managers and staff regarding company environmental priorities, policy, and goals and, therefore, enable on-going environmental performance improvements; and create external accountability with respect to corporate environmental performance intentions and establish a basis for productive dialog and tracking progress over time.
- Some readers will approach corporate environmental reporting with a moderate to high degree of skepticism often assuming that the more money spent on voluntary reporting the more a company has to hide. In lieu of (or as a supplement to these)

corporate reports, readers may turn to more “independent” information sources such as NGO analyses/reports (e.g., an NRDC air emissions study) or government reports/analyses to assess corporate commitment to environmental performance. Readers may also look for “discrepancies” as reflected in “actions on the ground” between stated corporate environmental policy and intentions as stated in the report and actual behavior. NGO representatives indicated that they look at the “total” company and may, for example, see inconsistencies between legislative and regulatory advocacy activity and/or political contributions and the policy direction suggested in the report. Perceived or actual “discrepancies” or “inconsistent messages” can cause the report to be viewed as “green wash”—a deliberate effort to misinform the public about a company’s real intentions and policies.

- Corporate reporting should be one building block in an overall corporate transparency effort. The report would be prepared as part of a process involving external stakeholders before, during, and after its preparation. The process would generate policy and performance goals that are, at least in part, reflective of interested party perspectives and connected to performance metrics (indicators) that are provided in the report. This process also would provide a basis for the inclusion of “independent commentary” in the report indicating that company priorities and report content and format had been, at least in part, developed in response to stakeholder input.
- Corporate reports need to provide a basis for evaluating environmental performance. The report should provide an understanding of the actual changes a company intends to make and would support understanding and tracking environmental performance over time. To achieve this outcome requires the report to provide sufficient context to enable a variety of comparisons to be made: progress in achieving explicit and quantified corporate environmental goals; outcomes relative to regulatory compliance levels; and performance relative to industry averages or some similar industry benchmark.
- A manageable sized corporate report will have substantial difficulty addressing all of the various needs identified by participants (e.g., facility-level raw data, corporate aggregates compared to industry benchmarks, etc.) and a report, in and of itself, will not fully provide for corporate transparency. A report, therefore, could be conceived as a transparency “portal” that provides a general overview of company environmental directions, priorities, and performance combined with a “road map” of where and how information of various types can be acquired.
- Workshop discussions suggested the emergence of a refined definition of transparency: corporate transparency is “a quality, two-way flow of information nested in an on-going process that provides for understanding of and responsiveness to interested party perspectives.” This definition reflected the participant’s emphasis on transparency as a process.

WRAP UP AND NEXT STEPS

In concluding the workshop, participants were asked to discuss the next steps for continuing the discussion about transparency. The attendees agreed that an increased understanding of corporate transparency had begun to emerge from the discussions and that the workshops represented a valuable use of participants time. In this context, participants suggested the following next steps:

- Convene a third workshop to discuss a more interactive (e.g., web-based reporting effort) example of environmental reporting and/or an example of a more long-standing environmental reporting effort (i.e., one that has gone through at least two annual reporting cycles).
- Include in a future workshop (or workshops) discussion about specific areas of transparency such as how companies can maintain reasonable reporting consistency in the face of on-going operational changes (e.g., growth, divestitures, mergers), the scale and market for more site-specific data, and how to involve stakeholders in a transparency process.
- Consider documenting the workshop findings in a format that could provide help to GEMI member companies and others as appropriate to establish effective corporate transparency processes and annual performance reports (i.e., PowerPoint presentations, small scale primer, etc.).

APPENDIX A: WORKSHOP AGENDA

**Defining Transparency: Expectations and Obstacles: Roundtable
Workshop II**

**The King Center
Atlanta, GA
May 1, 2002
10:00am – 3:00pm EDT
~ AGENDA~**

- 10:00am – 10:15am ***Welcoming Remarks and Introduction***
GEMI Antitrust Guidelines
Robin Tollett, Procter & Gamble, Chair of GEMI Transparency Work Group
- 10:15am – 10:25am ***Introduction of Meeting Facilitator, Review the Agenda, and Ground Rules***
Rob Greenwood, Ross & Associates
- 10:25am – 11:00am ***Review findings from 1st workshop (October 24, 2001 in Oakland, CA)***
1. What we mean by transparency
2. Goals or expectations for establishing transparency
3. Environmental reporting and transparency – example GRI
- 11:00am – 12:00pm ***Review Mirant Corporation's Environmental report***
Discuss concrete examples of participant experiences with environmental reporting mechanisms and corporate/community partnerships. Identify how these efforts reflect our definition of transparency and how they connect (or not) to the desired end states previously identified.
- 12:00pm – 1:00pm ***Lunch (working lunch to continue discussion)***
- 1:00pm – 2:30 pm ***How do environmental reporting and transparency come together?***
Consolidate and articulate the sense of gaps that exist between the examples and desired end states then discuss the desirability (benefits) of filling the gaps and constraints that participants believe exist on doing this.

1. How do observations from Mirant's report link to transparency?
2. How much does reporting alone contribute to transparency?
3. What are the other dimensions of transparency?
- 2:30pm – 3:00pm ***Wrap up and next steps***

APPENDIX B: LIST OF PARTICIPANTS

GEMI Representatives

Amy Goldman - GEMI
David Jacoby - Georgia-Pacific Corporation
David Lear - Hewlett-Packard
Dean Miracle - Southern Company - Georgia Power
Jack Stein - Anheuser-Busch Companies.
Jamey Peters - Mirant Corporation
Jean Bohan - Ashland, Inc.
Leslie Montgomery - Southern Company
Lloyd Avram - Mirant Corporation
Mark Chatelain - Johnson Controls Inc.
Mary Beth Parker - Mirant Corporation
Meg Fligg - Georgia-Pacific Corporation
Mike Childers - Mirant Corporation
Robin Tollett - The Procter & Gamble Company
Tanya Blalock - Southern Company - Georgia Power

NGO Representatives

Andy Smith - Earth Ethics
Bryan Hager - Georgia Sierra Club
Felicia Davis - Georgia Coalition for The Peoples' Agenda
Janet Ranganathan - World Resources Institute
Jason Morrison - Pacific Institute
Jerry Speir - formerly of the Tulane Institute for Law and Environment
John Sibley - Georgia Conservancy
Nigel Homer - The Nature Conservancy, International Headquarters
Pam Davee - Upper Chattahoochee RiverKeeper
Sally Bethea - Upper Chattahoochee RiverKeeper
Tavia McCuean - The Nature Conservancy, Georgia Office

Facilitator

Robert Greenwood – Ross & Associates Environmental Consulting