



**GEMI NGO Workshop on Understanding and Using
“Transparency: A Path to Public Trust”
August 11, 2005
The Ginn House ~ Oakland, CA
Meeting Summary**

GEMI’s Transparency Network Co-chair, Mr. Al Collins of Occidental Petroleum Corporation, called the meeting to order at 9:00am PDT with the following individuals participating:

GEMI members:

Bob Accarino, Abbott Laboratories
Jean Bohan, Ashland Inc.
Doug Finan, GSK
Amy Goldman, GEMI
Paul Halberstadt, ConAgra Foods
Mitch Jackson, FedEx
Ken Larson, HP
Leslie Montgomery, Southern Company
Karen Murphy, Ashland Inc.
Dennis Muscato, HP
Robin Tollett, Procter & Gamble
Amy Vinson, Tyson Foods

Rob Greenwood, Ross & Associates

Stakeholders – both non-governmental organizations (NGOs) and others:

Mike Green, Center for Environmental Health
Sol Kwon, Investor Responsibility Research Center (IRRC)
Michelle Leighton, John F. Kennedy University, School of Law
Conrad MacKerron, As You Sow Foundation
Mari Morikawa, Pacific Institute
Jason Morrison, Pacific Institute
Romel Pasquel, U.S. EPA – Region 9
Emma Stewart, BSR
Tom Turner, Earth Justice

Mr. Al Collins recommended that each GEMI member indicate in their notes of the meeting that the antitrust guidelines were discussed and asked that if there were any questions or concerns related to the guidelines they be directed to himself or Amy Goldman, GEMI.

Ms. Leslie Montgomery of Southern Company and co-chair of the Transparency Network then introduced Mr. Rob Greenwood, Ross & Associates Environmental Consulting, Ltd., who facilitated the meeting. Mr. Greenwood reviewed the meeting ground rules emphasizing

participants were acting in an individual capacity and individual comments were not for attribution. All participants agreed to abide by these rules.

The GEMI meeting “Exploring Transparency: Understanding and Using *Transparency: A Path to Public Trust*” was held August 11, 2005, at the Ginn House in Oakland, CA. The meeting was divided into four primary segments: an overview of the transparency document and the history of its development, presented by Ms. Montgomery and Mr. Collins; a presentation on GEMI by GEMI’s Chair Robin Tollett, Procter & Gamble; a discussion on the content of the tool; and a discussion of interest in and opportunities for future dialog.

The remainder of this summary is divided into two sections: Section 1 (a synthesis of discussion from the meeting); and Section 2 (verbatim transcription of meeting flip chart notes).

SECTION 1: Synthesis of Discussions

Discussion following the presentation by Ms. Montgomery and Mr. Collins was framed by several questions relating to key tool messages, effective transparency behaviors and what to look for in transparency. The ensuing discussion ranged across a variety of topics which coalesced around five themes:

- Theme 1 - Role of Formal Reporting Systems
- Theme 2 - Transparency Is Not Only About Reporting
- Theme 3 – Scope/Tenor of Disclosure and Setting Expectations
- Theme 4 - Generating Trust
- Theme 5 – Transparency Strategy Elements.

In addition to these themes, the last discussion of the day focused on opportunities for continued dialog with stakeholders. The results of that discussion are presented as Theme 6.

Theme 1 - Role of Formal Reporting Systems: This theme was launched early in the meeting with a stakeholder participant question regarding perspectives on formal, structured reporting systems such as the Global Reporting Initiative (GRI). Stakeholder participants indicated a strong preference for the use of standard reporting. In particular, they indicated such systems provide a basis for independent comparability and verifiability that they view as critical to the credibility of reporting efforts. As part of these observations, one NGO participant indicated a non-standard basis for reporting can raise questions about what information is not included and create the scent of misinformation.

GEMI member participants identified several challenges they perceived associated with such standard reporting systems. These included observations that such systems: can be very labor intensive; may not provide a fully accurate picture of performance; lack relevance to specific or unique company conditions; require information that organizations have been “socialized” to hold confidential (e.g., salary information); lack a clear definition of “good performance;” and, can lack a mechanism for companies to understand the evaluation criteria (e.g., capacity of the “rating” entity or group and/or willingness to dialog with the company). Further discussion indicated that the Global Reporting Initiative, for example, does allow for “stepwise”

participation, excluding sections (with a rationale provided), and has sector-specific reporting approaches under development.

As participants continued to probe this theme, they focused on the basis for deciding to support comparability through the use of standard reporting. All participants focused on the need to clearly understand the organization’s key audiences (stakeholders) and to focus reporting efforts in response to their needs. In this context, one NGO participant indicated the need for a “dual track” system: a local, facility-level focus addressing such interests as environmental justice concerns; and a global, corporate-level focus addressing such interests as socially responsible investors (SRI). Reporting was thus seen as needing significant tailoring to identify audiences, with different audiences driving different reporting strategies. All participants recognized, however, that the decision to support comparability needed to be an individual company decision in response to the development of a tailored strategy built on understanding of critical audiences (key stakeholders) and the other elements of their transparency strategy.

Theme 2 - Transparency Is Not Only About Reporting: An important theme that emerged during discussions about formal, standard reporting approaches (see Theme 1) was the understanding that reporting is just one dimension of effective transparency. Several stakeholder participants acknowledged and welcomed the GEMI tool’s focus on transparency as a process with emphasis placed on “responsive dialog” with key stakeholders. One NGO indicated a belief that this emphasis would create challenges for many companies and suggested further guidance on what approaches to take and methods to use depending on what company conditions could be helpful (e.g., use of case studies to articulate the specific reasons companies selected any particular suite of transparency approaches). A number of participants observed that the GEMI tool articulated a range of communication options and a systematic approach for engaging stakeholders to understand needs and develop a tailored transparency strategy in response. This discussion picked up on a similar theme from the standard reporting discussion: the need to engage stakeholders to understand needs and respond with a tailored strategy. The attendees emphasized the opportunities and benefits provided by “collaborative” efforts with a variety of examples cited. As a final observation, a GEMI member indicated some frustration with organizations that collect and display corporate information but appear to have limited (or no) interest in engaging in dialog to ensure accuracy. This observation was meant, in part, to reflect an expectation that transparency will be a two-way street with both corporate and NGO organizations willing to engage in a “two-way, responsive dialog.”

Theme 3 – Scope/Tenor of Disclosure and Setting Expectations: Several stakeholder participants made observations regarding the scope and tenor of disclosure (particularly, but not solely) in the context of Corporate Environmental (or Sustainability) Reports. It was indicated that identifying activities designed to influence public policy directions, such as political contributions, lobbying efforts and advertising efforts, is an important part of establishing credible transparency. Several participants indicated this entailed a need to view disclosure more comprehensively than conventional reporting efforts have. A GEMI member questioned the need to disclose specific efforts of this type as long as company policies and/or positions on “material” issues have been included in its transparency efforts. This observation opened a

discussion among participants about possible “discontinuities” between stated policies and positions and actual, in particular, political activities. The stakeholder attendees identified some examples of companies that had taken highly public, pro-environmental performance stances, while engaging in lobbying or other public policy-related efforts that, in their opinions, ran contrary to such statements, and noted that such discontinuities will quickly erode credibility and can result in NGOs targeting the company with negative publicity efforts.

This discussion led to further exploration of the appropriate “positioning” of transparency efforts with observations made regarding effective means to manage expectations. The stakeholders emphasized the importance of providing a “complete picture,” with companies identifying not just areas of high performance but also where challenges exist, as well as the need to be upfront regarding any discontinuities that might exist (e.g., being clear on when and why a company might see the need to lobby against a major piece of national environmental legislation). It was noted that NGOs seem to respond more favorably to environmental performance-oriented corporate philosophies than to substantive, facility-level actions. The stakeholder participants indicated that “measurable results” are their primary interest and further reinforced the dangers of stating an aggressive corporate performance philosophy that is not backed up by substantive action.

The attendees discussed the need to avoid “overstatement” and the need to be cautious with making “leadership” claims with regard to setting expectations. An important distinction was drawn between “aspirations” and “claims”-- with the former viewed generally favorably as an effort to reach hard for improvement, and the latter expected to be supported by objective, verifiable facts. Further aspects of setting expectations included: being realistic about time frames for improvement; being practical with commitments; and, developing the transparency efforts in a “worst case” or “contingency” context where the sustainability of efforts are considered in light of, for example, possible future economic downturns. During this discussion, it was noted that a company message might be as modest as: “we are focused on ensuring compliance with existing regulations and will undertake beyond compliance performance improvement, such as more efficient use of natural resources, when they are clearly shown to support the bottom line.” It was agreed that this transparency message was “refreshing,” honest, and credible. In addition, it was noted that not all companies will use only bottom line analysis to make performance improvement decisions, but will include other factors relating to, for example, their social license to operate.

Theme 4 - Generating Trust: Throughout the meeting, participants touched on a number of elements they saw as particularly important to generating trust with stakeholders, which translated into effective transparency. These elements included the following:

- Reveal challenges, not just areas of high performance
- Engage in two-way, collaborative dialog with key interest groups (e.g., bring outside interested parties into a dialog about options for improving performance, such as the introduction of hybrid vehicles to vehicle fleets)

- Engage a full range of interested parties including those that will “push the envelope” (although participants stressed the need to carefully structure interactions as you move from more “moderate” to more “radical” organizations)
- Commit to best practice as an anchoring point for transparency efforts
- Develop a means for independent verification of performance and reported information
- Be willing to engage in an unguarded fashion (referred to as the ability to “let go”), while keeping in mind there is not a need to be perfect

Theme 5 – Transparency Strategy Elements: Several observations made by participants can be viewed as important elements of designing an effective transparency strategy. These observations included the following:

- Efforts to change internal culture (as emphasized in the tool) were seen as both a key message of the tool and important to the success of transparency efforts
- The “Decide, Announce, Defend” approach is not effective, and the GEMI tool provides a framework that can help organizations avoid this situation
- The need to develop a clear understanding of the full range of opportunities and risks associated with transparency efforts -- identified in the context of the discussion on positioning transparency efforts
- Understanding the potential advantages of proactively telling a company’s story
- Recognizing transparency as a continual improvement process
- The importance of making explicit choices about the “materiality” of information to different stakeholders
- Staying attentive to “discontinuities” between statements and actions
- Undertaking basic education of internal and external parties on how to proactively and productively engage in joint dialog.

In the context of transparency strategies, the attendees discussed the role and perception of formal, verified management systems, such as ISO 14001. It was noted that ISO 14001 certification is seen as having limited credibility in many circles, with concerns focused on the variability of both the robustness of the management systems and associated performance that can receive certification. The need for objective measurement as a means to establishing the credibility of any management system is important.

Theme 6 – Opportunities for Future Engagement: Attendees were asked to identify opportunities for future GEMI-NGO stakeholder dialogues, such as an annual workshop focusing on 1-3 topics and networking opportunities for all attendees. The attendees agreed that this would be of interest to them and emphasized the importance of identifying concrete, focused topics for discussion. In addition, participants identified the need to provide compensation for time and travel. Participants further suggested that GEMI should look internationally for organizations given the global reach of many of its members, and suggested conducting a “stakeholder mapping” exercise for each topic area to identify the organizations that will have an interest in the topic.

Additional suggestions for moving transparency forward, included: translating GEMI transparency case studies/examples into a format suitable for use in business school curricula, which would expose a new generation of business managers to transparency concepts; developing additional guidance that would supplement the existing GEMI tool, including a “how to engage stakeholders” guide and a “what is best practice” guide complete with lessons learned information focused not only on successes, but also failures.

SECTION 2: Verbatim Transcription of Flip Chart Notes

Sheet #1:

- Reporting systems?
 - GRI?
 - Transparency more than reporting
- How to know which approaches/methods to take?
 - Therefore – knowing your stakeholders
 - Use of case studies – if situation A then use option B
- Process theme important:
 - Communication options
 - Stakeholder specific
 - List of local stakeholders leading to options development

Sheet #2:

- Local tailoring
- Dual tracks:
 - Facility level – EJ etc.
 - Corporate level – investor response etc.
- Decide, announce, defend = not!
- Commit to some form of structured reporting?
 - Comparative performance basis
 - Mandatory standard system?
- Ability to correct/know criteria for evaluation
- GRI labor intensive and may not be best reflection of performance

Sheet #3:

- Target audience critical
 - Strategies will be different
- Relevance of standard questions to company conditions
- Decision to support comparability – standard reporting
- Two-way dialog concept:
 - Reporting organizations engage in dialog – e.g. Materiality
- Reporting challenge: items “socialized” to keep private (e.g., salary information)
- Stakeholder interests = reporting focus
- GRI can be stepwise, can exclude sections, and is becoming sector tailored

Sheet #4:

- Effective transparency
 - Comparability is important

- Non-standard basis can be misinforming
- GRI sector customization
- Political activities
 - Contributions report
- How to trust the information (credible)
 - Standard reporting
 - Pick subset
 - How to know it is true – verification
- Achieving a credible basis for reporting? How? Trust
 - Comparability = verifiable
 - Reciprocity = local tailoring

Sheet #5:

- What is good performance?
 - Not clear = disincentive to be transparent
- EHS costs not that significant – Wall Street link?
- Generating trust:
 - Efforts to change culture (emphasized in tool)
 - Revealing challenges - okay to show performance gaps
 - Two-way dialog
 - Collaborative work
 - How can robust outcome occur
 - Interaction
 - Envelop pushers involved

Sheet #6:

- Generating trust from Sheet #5 (*continued*)
 - Commit to best practice critical and necessary condition
 - Greenwash distinction
 - Independent observations
 - Ability to draw own (independent) conclusions
 - Understand this is a long-term investment
 - Engaging with organizations that can help the organization improve

Sheet #7:

- Ability to “let go” – not guarded, not perfect
- More comprehensive
 - Full range of activities
 - Public policy direction
 - Advertising
 - Transparent about positions – have it in corporate environmental reports
 - Disconnect issue
 - What is material? (materiality)
 - Full disclosure
- Define through report items defining sustainability
- Potential perception of dishonesty

Sheet #8:

- Need to understand opportunities and risks
- Proactive telling of story to tell own story
- Continual improvement process
- Materiality -- different for company than for stakeholders
- Watch for discontinuity
- Basic education on how to proactively engage
- Dovetail business processes

Sheet #9:

- Management systems?
 - Objective measurement
 - Verification element
 - ISO 14001 certification viewed with limited credibility
 - What are the performance objectives
- Timing: how fast can improvement come
- Not always a cost issue
 - License to operate
- Worst case plan
 - Understand how sustainable the commitment is

Sheet #10:

- Be practical with commitments
 - Overstatement issue – “leadership” overuse
 - Where you set the bar – positioning
- Two dimensions:
 - Corporate philosophy
 - Substantive action
 - Question of how weighted
 - What is measurable counts
- Not about perfection
 - Appropriate goals
 - Expectations
- Be prepared to support any claim
- Aspire vs. claim – publicity positioning for economic gain
- Intentional increase value of brand – dishonesty issue

Sheet #11 (next steps):

- GEMI case studies – moving into business school format
- Issues driven
 - Transparency
 - How to engage guidance
 - What is best practice and lessons learned cases

- Mission consistent
- Networking opportunities -- specific focus (e.g., supply chain)
- Look internationally
- Stakeholder mapping – moderate to radical – help to understand

Sheet #12:

- Step-wise with NGOs
- Help with other groups to engage
- Compensation for time/travel for NGOs
- Identify issues as the draw