

# TRANSPARENCY:

*A Path to Public Trust*

GLOBAL ENVIRONMENTAL MANAGEMENT INITIATIVE



September 2004

**Global Environmental Management Initiative (GEMI)**

# What is GEMI?

- 41 Member Companies
- Representing 15 Business Sectors
- Non-profit 501(c)(3) Organization
- Not an Advocacy Organization

# Current GEMI Members



ANHEUSER



BUSCH

Companies



Altria



BNSF



Bristol-Myers Squibb Company



ConAgra Foods



Answers That Matter.



invent



JohnsonDiversey  
Clean is just the beginning



JOHNSON  
CONTROLS

Johnson & Johnson



LOCKHEED MARTIN



MERCK



MOTOROLA



Schering-Plough



Smithfield



TEMPLE-INLAND  
INC.

TEXAS  
INSTRUMENTS



Wyeth



# Vision & Mission of GEMI

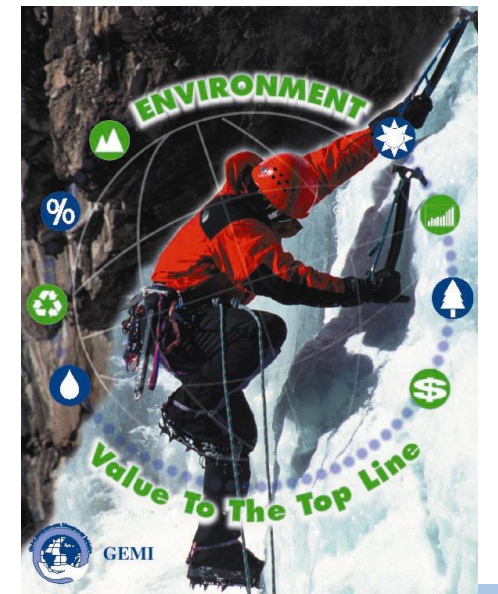
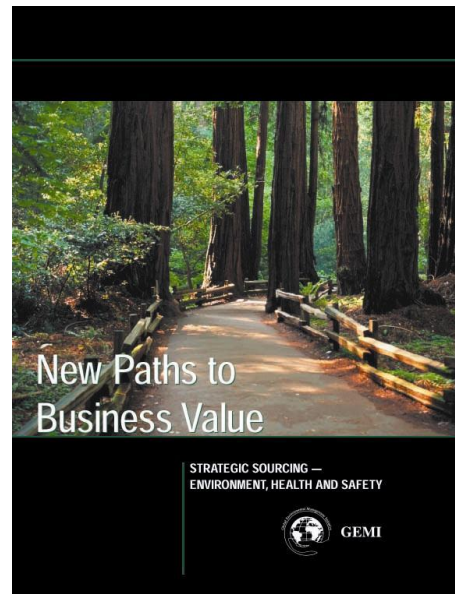
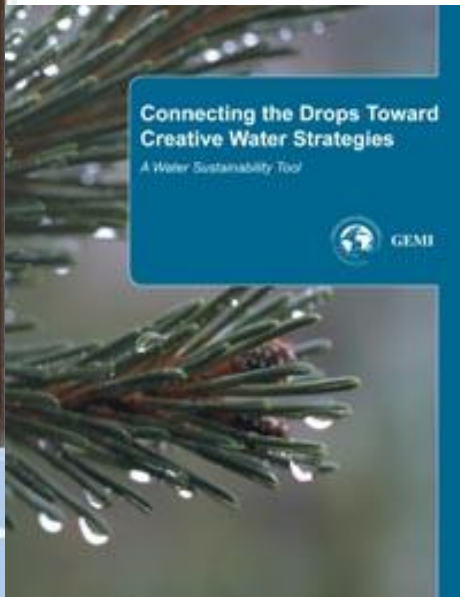
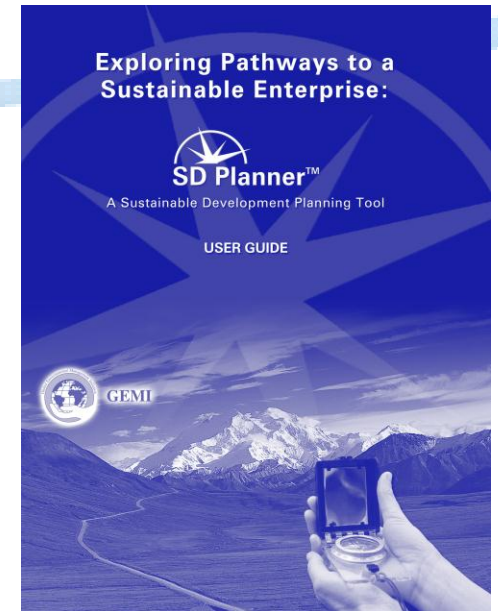
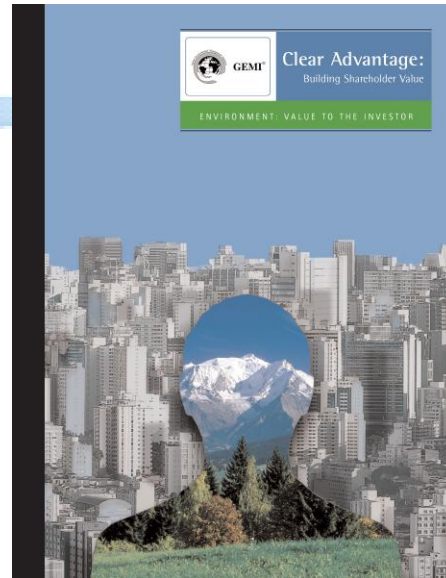
## Vision:

*“To be globally recognized as a leader in providing strategies for businesses to achieve EHS excellence, economic success, and corporate citizenship.”*

## Mission:

*“Business helping business improve EHS performance, shareholder value, and corporate citizenship.”*

# Additional Recent GEMI Reports



# Current GEMI Activities

- AgSustainability
- Information Management Systems (IMS)
- Metrics
- Supply Chain
- Sustainable Development
- Tools Evaluation and Implementation Strategies
- Transparency
- Water Sustainability

# GEMI's Transparency Work Group

- **History:** Work Group formed in 2001 to explore EHS issues in transparency. Three workshops held between October 2001 and February 2003.
- **Objective:** To provide a strategic approach for addressing transparency in your organization.
- **GEMI Co-Chairs:** Robert (Robin) Tollett, Procter & Gamble  
Leslie Montgomery, Southern Company
- **Consultant:** Melissa Spear, RETEC
- **Workshop Collaborators:** Pacific Institute and 19 nongovernmental organizations

# GEMI's Definition of Transparency

*“Transparency is the openness of an organization with regard to sharing information about how it operates. Transparency is enhanced by using a process of two-way, responsive dialogue.”*

# What is Driving Transparency?

- **Power of the Internet** – It can be used to cast an instantaneous spotlight on a company's activities anywhere, anytime, & at unprecedented levels of detail
- **Public corporate financial debacles** – In response to a number of recent, highly publicized financial debacles, there are increasing pressures on corporations to establish & maintain high standards of internal governance
- **Information begets information** – Many now view regulatory reporting requirements as just a starting point for sharing corporate information

# Report Overview

- A tool for management to help their organization develop an appropriate approach to transparency
- Outlines a 5-step process to assist with:
  - Identifying transparency-related opportunities & risks
  - Determining the business case for action
  - Engaging the organization in developing & implementing an effective transparency strategy
- Additional resources, including 15 GEMI member case studies, workshop perspectives & seven tools

# Report Tools

**The seven tools contain questions, examples & matrices to assist in transparency strategy development:**

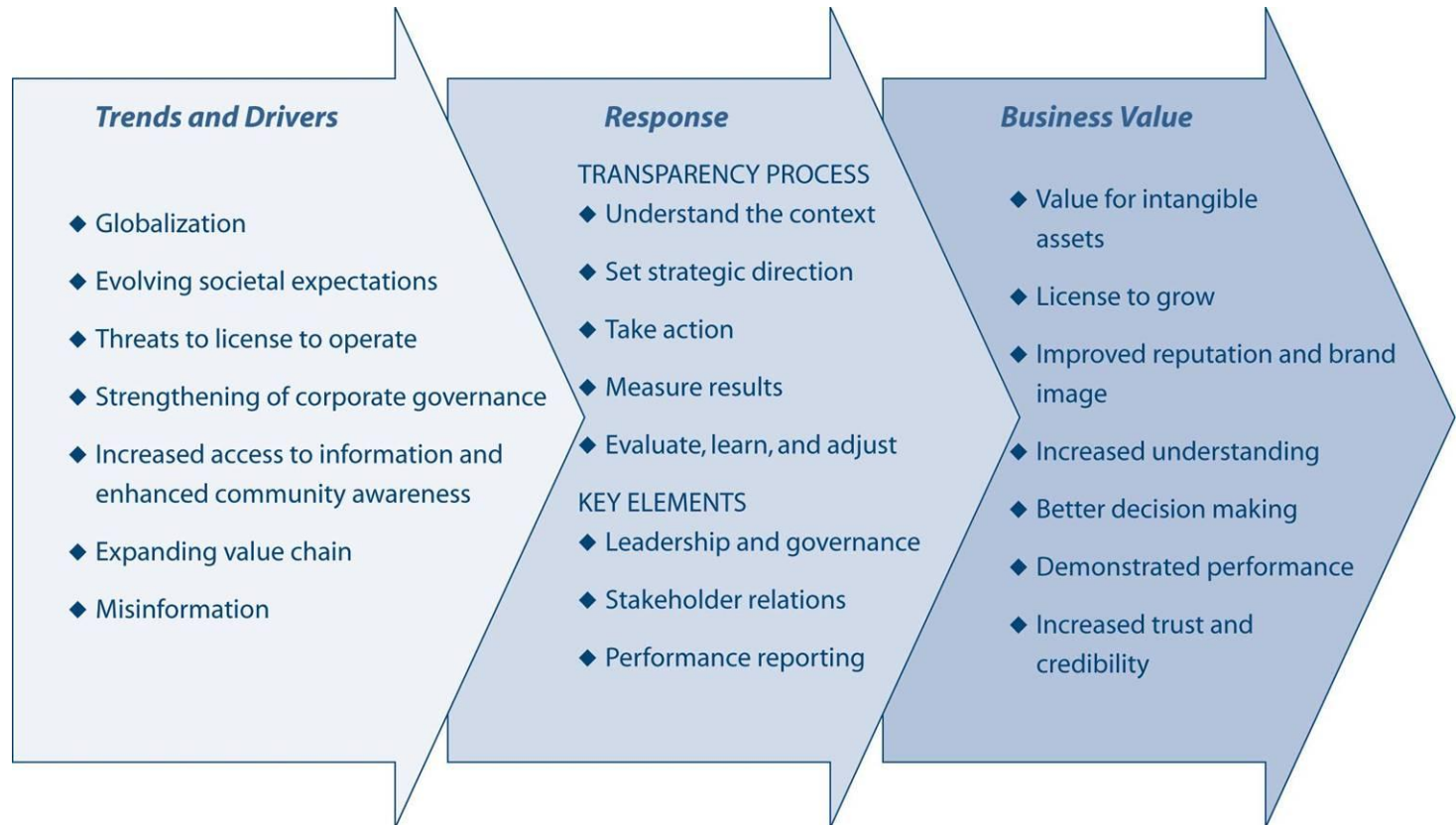
- *Tool #1:* Transparency Strategy Assessment
- *Tool #2:* Appraise Current Transparency Activities
- *Tool #3:* Identify Opportunities and Risks
- *Tool #4:* Know Your Stakeholders
- *Tool #5:* Understand the Stakeholder Relationship
- *Tool #6:* Evaluate the Impact of Selected Approaches to Transparency
- *Tool #7:* To Verify or Not to Verify

# Building the Business Case for Transparency

**An appropriate approach to corporate transparency can impact business value in the following ways:**

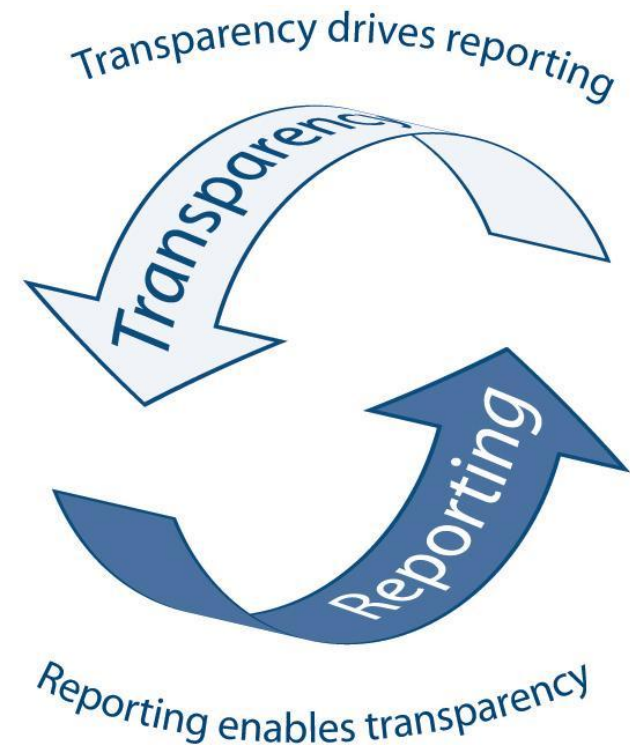
- Contribute to the trustworthiness and credibility of an organization
- Increase effectiveness by improving the organization's understanding of the potential environmental and social implications of its business activities
- Improve corporate performance by motivating an organization to meet its declared goals

# The Big Picture of Corporate Transparency



# Key Elements of Transparency

- **Leadership & Governance:**  
Establishes the corporate commitment to transparency
- **Stakeholder Relations:**  
Transparency is all about how an organization interacts with its stakeholders
- **Performance Reporting:**  
One of the primary vehicles for delivering information to stakeholders

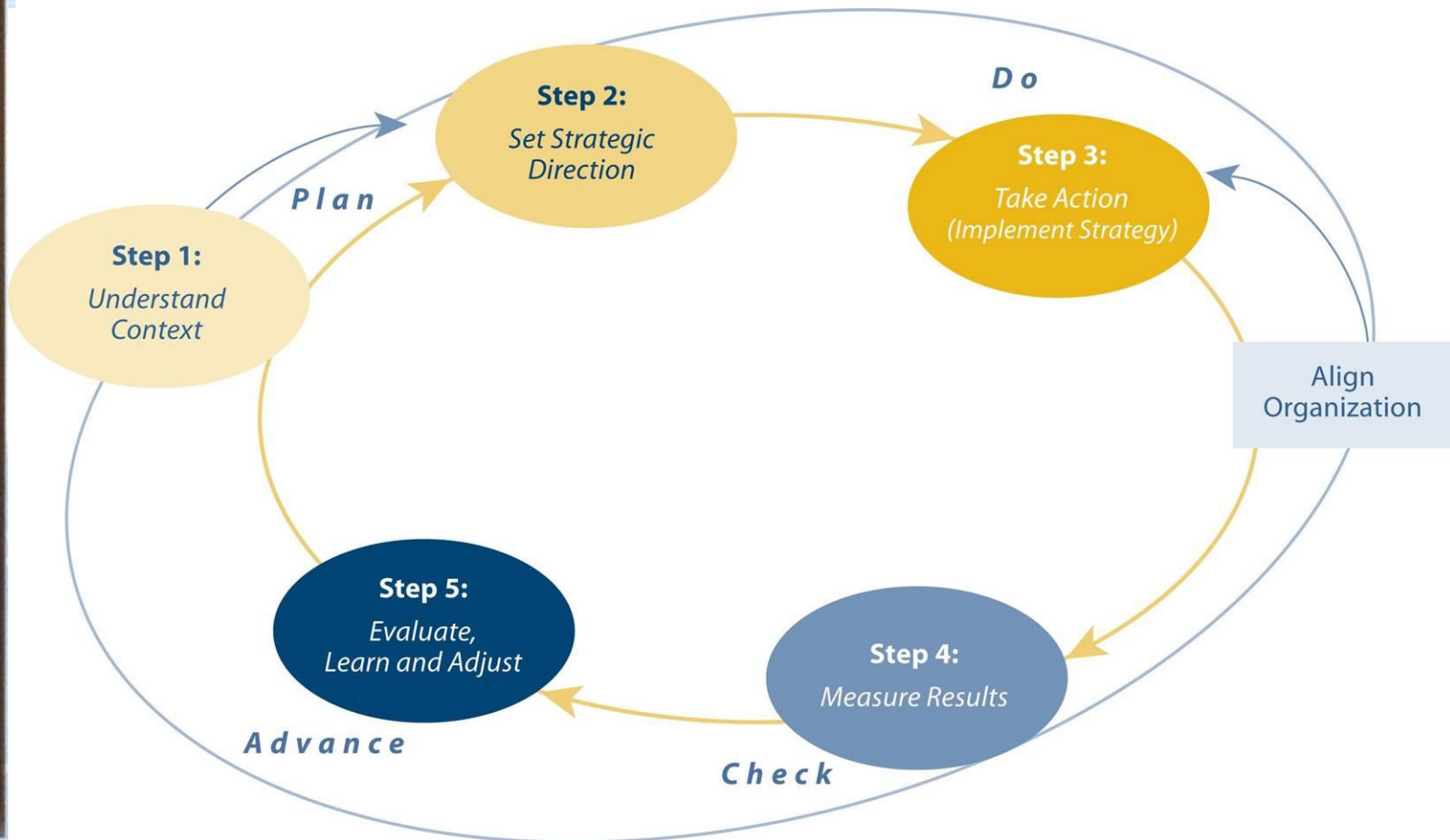


# Dimensions of Transparency

**Three success factors critical to the quality of corporate transparency:**

- **Quality of Information** – timely, consistent, accurate, relevant, verifiable, balanced
- **Commitment to Improvement** – address challenges, not justify current performance or position
- **Responsive Dialogue** – more process than product, collaborative exchange of ideas and fair consideration of alternative viewpoints

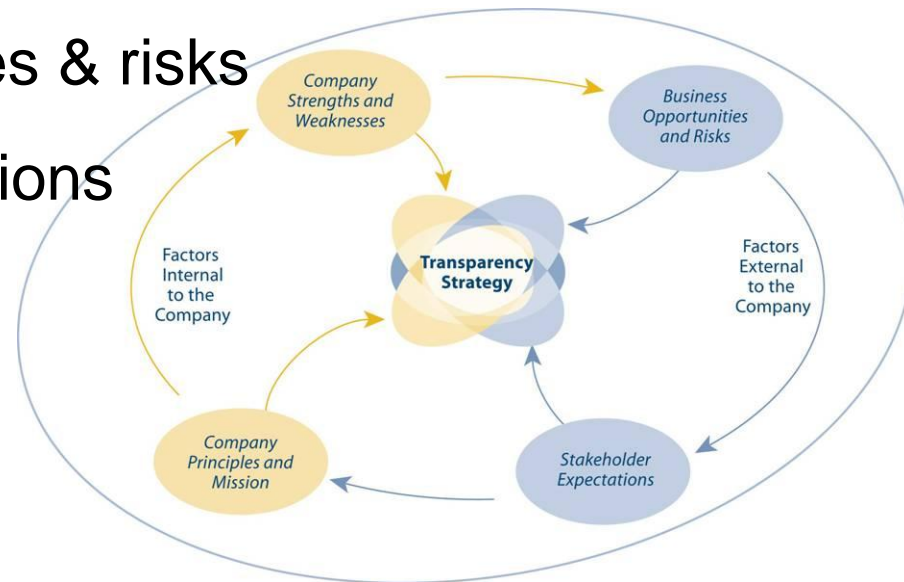
# The Strategic Transparency Planning Process



# Step 1: Understand the Context

**Four key elements of the business environment to consider when developing an effective transparency strategy:**

- Company strengths & weaknesses
- Company principles & mission
- Business opportunities & risks
- Stakeholder expectations



# Step 2: Set Strategic Commitment

The commitment to transparency varies based on:

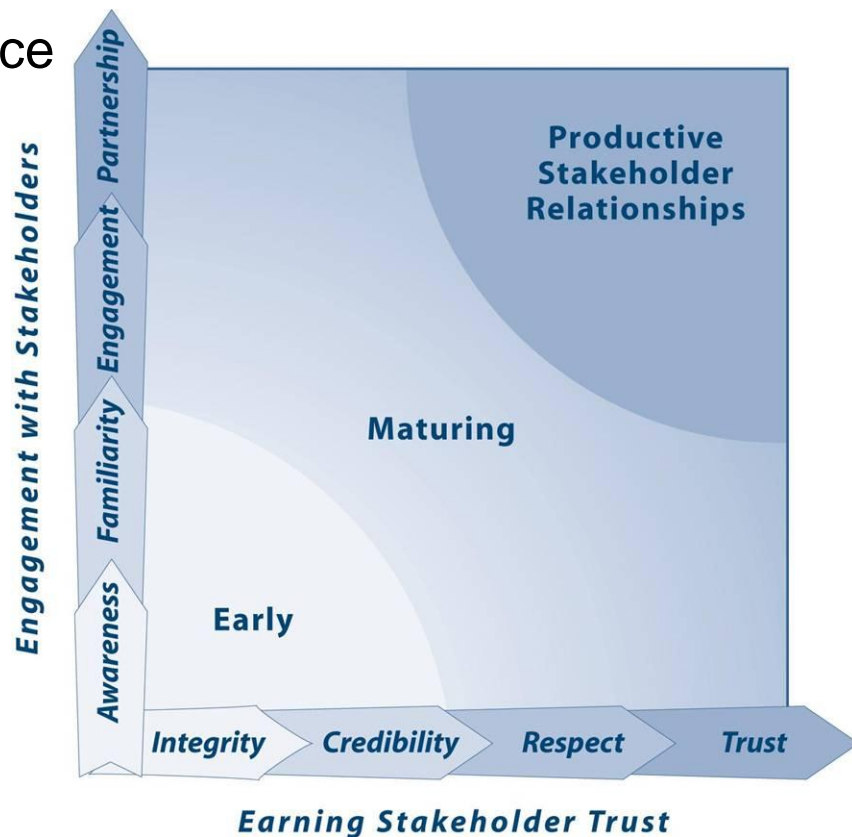
- Evaluating the impact on key risks and opportunities
- Assessing your organization's ability to implement
- Seeking alignment with the overarching strategic vision

	<i>Opaque</i>	<i>Translucent</i>	<i>Transparent</i>
<b>Description</b>	The minimum of disclosure as required by law; providing little additional information to the public beyond legal requirements.	Moderate disclosure with emphasis on "telling your story" rather than on balanced reporting. Selective engagement with stakeholders.	The open, balanced disclosure of activities — both good and bad. Some companies see external input and criticism as a means for real learning and improvement.
<b>Drivers</b>	No significant business drivers. Companies with low impact, low visibility, minimal stakeholder interest and no distinct brand, might adopt this approach. The costs associated with transparency are greater than the benefits.	Opportunistic response. The move towards greater transparency is either in response to certain events or is proactive for competitive reasons. This might be a "first step" for companies towards greater transparency.	Significant business drivers. Companies with high visibility, high impact, large regional or international presence, company-specific EHS issues, highly interested/active stakeholders, significant brand equity, external pressures or CEO mandate. Seen as source of competitive positioning and real learning.
<b>Strategic Approach</b>	Transparency will not add value for either the organization or stakeholders and may even create risk. Minimize transparency, primary objective is compliance. Monitor business drivers affecting transparency; undertake no transparency initiatives except in reaction to a change in business drivers; react to stakeholder demands only as necessary.	Transparency is a response to specific challenges and opportunities the organization faces. Monitor business drivers and competitors' positions regarding transparency. Middle ground might be difficult to maintain. Risk of being criticized for selective disclosure and "green washing."	Transparency contributes to the credibility of the organization, positions the organization favorably against competitors, enhances the public trust, and mitigates risk. Engage in responsive dialogue with key stakeholders about activities, provide quality information that helps stakeholders make informed decisions about their involvement with the organization, and create accountability for improved business performance.
<b>Supporting Activities</b>	Reporting as required by regulation.	"High level" or selective environmental/sustainability reporting, targeted stakeholder engagement, increased publication of mostly "one-way" information externally via web sites and other media, monitoring of external trends.	Environmental/sustainability reporting, stakeholder partnerships and collaboration, socially responsible investing (SRI) questionnaires, interactive public web site, and stakeholder forums.

# Step 3: Take Action

A transparency strategy must be implemented via defined activities to accomplish established goals & objectives through:

- Leadership & Governance
- Stakeholder Relations
- Performance Reporting



# Step 4: Measure & Report Results

Metrics allow an organization to track progress towards transparency goals & objectives. Progress can be measured along two fronts:

- **Implementation:** What progress is being made toward implementation of the strategy?
- **Effectiveness:** How well is the strategy working? Are the goals and objectives established being met?

Possible Metrics	Where to Gather Data
<p><b>Stakeholder Relationships:</b> Is your transparency strategy providing the information stakeholders require to evaluate your performance and develop a relationship of trust?</p> <ul style="list-style-type: none"> <li>◆ Results of stakeholder surveys</li> <li>◆ Number, type, and result of shareholder resolutions filed</li> <li>◆ Ratings received from external groups (including SRI ratings)</li> </ul>	<p>Stakeholder surveys can be used to gauge how your transparency strategy is affecting stakeholder relationships. Changes in stakeholder attitude over time may be attributed to your approach to transparency. Surveys should include questions on:</p> <ul style="list-style-type: none"> <li>◆ Reactions to performance reports and other information provided to stakeholders by your organization</li> <li>◆ General attitudes of stakeholders toward your organization</li> </ul>
<p><b>Reputation:</b> How has your transparency strategy helped to build your reputation?</p> <ul style="list-style-type: none"> <li>◆ Results of reputation surveys</li> <li>◆ Awards and public recognition received</li> </ul>	<p>Tracking awards and recognition received and the results of reputation surveys can be useful for evaluating changes in reputation over time.</p>
<p><b>Performance Reporting:</b> How effective is your approach to reporting on nonfinancial performance?</p> <ul style="list-style-type: none"> <li>◆ How many reports are published? How many are distributed to stakeholders?</li> <li>◆ Do you post performance information to your web site? How many "hits" does the site get? How many reports are downloaded? How many questions or comments are submitted? Is there a procedure in place for responding to them?</li> <li>◆ If you third-party verify reporting of your nonfinancial performance, what are the results of this verification process?</li> </ul>	<p>Data related to this set of metrics can be gathered from:</p> <ul style="list-style-type: none"> <li>◆ Staff responsible for publishing report</li> <li>◆ Webmaster managing web site</li> <li>◆ Report issued by third-party verifier</li> </ul>
<p><b>Media Coverage:</b> Is your transparency strategy affecting the type and quantity of media and Internet coverage your organization receives?</p> <ul style="list-style-type: none"> <li>◆ Instances of negative reporting</li> <li>◆ Instances of positive reporting</li> <li>◆ Alignment of media message with your internal view of the world</li> <li>◆ Instances where your organization was surprised by coverage</li> </ul>	<p>A number of organizations provide "News Clipping" and "Web Clipping" services. These organizations will scan specified publications as well as key online resources and provide any information they find related to your organization.</p>

# Step 5: Evaluate, Learn & Adjust

## Evaluate and Learn:

- Reassess the content
- Determine the need to update the transparency strategy
- Evaluate and determine actions necessary to improve performance
- Update strategies for measurement & reporting

## Adjust:

- Ensure that your organization continues to make progress in achieving its strategic transparency goals and objectives

# GEMI Company Case Studies

- **Transparency & Business Value (Novartis)**
- **Return on Trust (Dell Inc.)**
- **Preserving Business Value (Johnson & Johnson)**
- **Reciprocal Transparency (FedEx Express)**
- **The Quality of Transparency (Eastman Kodak Company)**
- **Transparency by Design (The Dow Chemical Company)**
- **Mission, Values & Transparency (Bristol-Myers Squibb Co.)**
- **Stakeholder Relations (The Coca-Cola Company)**
- **Transparency Goals & Objectives (Procter & Gamble Co.)**
- **Governance & Transparency (Occidental Petroleum Corp.)**
- **Stakeholder Engagement (Southern Company)**
- **Transparency Metrics (BNSF Railway Company)**
- **Data Mining (Johnson Controls, Inc.)**
- **Accountability (Georgia-Pacific Corporation)**
- **Measuring Performance (3M)**

# Case Study: Johnson & Johnson— Preserving Business Value

**In the fall of 1982, seven people died after ingesting TYLENOL® capsules that had been poisoned with cyanide by an unknown criminal.**

- Full disclosure policy – the public & medical community were immediately alerted & TYLENOL® capsules were quickly removed from the marketplace
- J&J worked closely with news media to ensure the public was fully warned of the danger
- J&J's Chairman & Chief Executive Officer & other top executives made themselves personally available to answer questions
- J&J's candid approach has been cited by many as setting the standard for crisis management for its openness & putting the interests of the public before its own

# Case Study: Dow— Transparency by Design

**Dow Chemical has eight Sustainable Development principles to guide its overall efforts and behavior:**

- Product Stewardship
  - Stakeholder Partnerships & Dialogue
  - Eco-Efficiency
  - Eco-System
  - Local vs. Dow Standards — Dow products & operations will meet the more stringent of applicable government or Dow environmental, health, and safety standards.
  - Equity & Quality of Life
  - Employee & Public Outreach
  - Transparency
- Dow uses Community Advisory Panels; positive & negative comments are made available to the public online
  - Dow publishes its Corporate Public Report with more than 20 individual site reports, including a “**What Do You Think?**” section, with a brief, online survey to encourage additional comments & suggestions

# Case Study: P&G– Transparency Goals & Objectives

In 1999, P&G held two Western European stakeholder conferences about the environmental performance of detergents. Approximately 40 delegates from NGOs, governmental organizations, & business participated in the events.

- One outcome was a commitment by P&G to provide relevant information about the company's activities packaged in ways that would satisfy the various needs of different stakeholders.
- To meet this pledge, P&G created a web site, "Science in the Box," for the fabric & home care business ([www.scienceinthebox.com/en\\_UK/main/index\\_en.html](http://www.scienceinthebox.com/en_UK/main/index_en.html)).
- The site, launched in 2002, receives nearly 20,000 visits per month and high marks from users.

# Case Study: Occidental Petroleum (Oxy)–Governance & Transparency

**Oxy states in its 2002 Annual Report to Stockholders why corporate governance, transparency & disclosure are important.**

- Oxy was well positioned when the Sarbanes-Oxley Act was enacted in 2002 because their Board had instituted many of the governance requirements in the early 1990s.
- Oxy increased communication of its standing corporate governance policies to reinforce investor confidence & increase shareholder value.
- Oxy has received recognition & high ranking from several independent organizations, including Standard and Poor's and Institutional Shareholder Services.
- In 2004, Governance Metrics International awarded Oxy a score of 9.5 out of 10.0 for its strong corporate governance policies & practices.

# Case Study: Southern Company– Stakeholder Engagement

**One principle of Southern Company’s environmental policy emphasizes partnerships. The company engages with key stakeholders in conservation initiatives built on common objectives by:**

- Partnering with National Fish & Wildlife Foundation (NFWF) to foster cooperation toward conservation among many groups across the South through two 5-year programs to restore the longleaf pine ecosystem and implement bird conservation projects
- Becoming a sponsor of ***The Natural South***, a weekly, award-winning cable television show that explores the South's natural environment in collaboration with many different organizations & individuals
- The result: increased communications, positive interactions, more people exposed to the value of environmental protection, & tangible improvements to the local environment

# Case Study: Georgia-Pacific Corporation–Accountability

**Georgia-Pacific has made a commitment to transparency, as evident in their environmental principle concerning community outreach.**

- G-P issued in 2003 its first “Corporate Social Responsibility Report” where they expanded the environmental scope to more closely align with the GRI guidelines
- G-P, as a member of American Forest & Paper Association (AF&PA), collects data that they use to create an “environmental footprint” & benchmarking with other members
- G-P is an active participant in the AF&PA’s Sustainable Forestry Initiative where they use third-party audits

# Looking Ahead: Challenges & Trends

## Challenges:

- Taking a “dashboard” approach to performance reporting
- Determining materiality
- Creating context
- Reducing survey overload

## An Uncertain Future of Trends:

- Towards more structured reporting
- Towards codes of conduct & normative developments

# Closing Thoughts

- “If sustainable growth is our goal, we must imagine ways for all stakeholders to participate in the process and for all stakeholder concerns to be considered.” — *Chad Holliday, Chairman and CEO, DuPont*
- “Corporate responsibility has no endpoint. Rather, we see it as an ongoing cycle of integration, translation and alignment. Here as elsewhere, our values inform our ideas and our conduct ....” — *Intel, Global Citizenship Report 2002*
- “Among our goals is to foster open, effective dialogue with stakeholders. To make that happen we must listen to our stakeholder needs and share information about our performance that is useful and meaningful so as to better communicate our past, present and future challenges.” — *Charles Goodman, Senior Vice President, Research & Environmental Policy, Southern Company*

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