WORKSHOP SUMMARY

GEMI Workshop #3:
"Defining Transparency: Expectations and Obstacles"

Held at Sheraton Newark Airport Hotel
Newark, NJ

February 26, 2003

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INTRODUCTION

On February 26, 2003, the Global Environmental Management Initiative (GEMI) hosted a one-day, industry-NGO roundtable workshop entitled *Defining Transparency: Expectations and Obstacles Roundtable Workshop III*. Twenty-four individuals attended, including sixteen industry participants, six 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. (See Appendix B for a list of participants.)

The Chair of GEMI's Transparency Work Group, Mr. Robin Tollett of The Procter & Gamble Company, welcomed the attendees and reviewed GEMI's anti-trust guidelines. The member attendees agreed to comply with the guidelines.

The purpose of this workshop was to continue the discussions conducted in Oakland on October 24, 2001, and in Atlanta on May 1, 2002. The focus of the February 26 workshop discussion was on key ingredients for achieving high marks for corporate transparency. A portion of the day was dedicated to reviewing the Bristol-Myers Squibb (BMS) sustainability web site (http://www.bms.com/ehs). The attendees used this web site to focus the discussion on a concrete example of sustainability reporting and corporate transparency efforts. The discussion was informal, with ground rules stating that individual remarks would not be taken as representative of organizational positions or policy.

The agenda for the meeting (see Appendix A) covered several topic areas: a review of findings from the Oakland and Atlanta Workshops; a presentation on the development of the BMS web site; a detailed discussion of the BMS web site; and a more general discussion of transparency and sustainability reporting. This document is not intended to be a record of workshop proceedings, but is rather a summary of the key themes and observations that arose from discussions about the BMS web site and corporate transparency.

DISCUSSION SESSION ONE: CASE STUDY OF A CORPORATE SUSTAINABILITY WEB SITE

During this session, workshop participants gave feedback on the BMS sustainability web site and also used it as a template from which to generate observations about corporate transparency.

General Strengths/Positive Feedback

- The overall breadth and depth of information, including environmental, social, and economic performance and trends, upper-level management commitment, sustainability goals, and other components, combine to create a strong web site. These components effectively communicate the BMS approach to sustainability, as well as the company's intended sustainability goals and associated performance.

- The entire web site and, in particular, the messages from the CEO and corporate/ environmental affairs and EHS Vice Presidents, as well as the 2010 sustainability goals and the detailed plans on how to achieve them, send a clear message that BMS is serious about and working hard to achieve transparency and sustainability.

- Text throughout the site is well written and provides good explanations for concepts, actions, and goals. The commitment from BMS to international audiences is evident through the web site's provision of information in several languages.

- Easy navigation, made possible through effective site organization and presentation, allows viewers to access the information that they are seeking.

- The cross-reference of BMS sustainability reporting information with the Global Reporting Initiative (GRI) 2002 sustainability reporting guidelines provides a useful index of the BMS information. It also provides a point of comparison to other entities that use and/or reference the GRI guidelines.

- The improvement of the site over time, and the responsiveness to external comments and suggestions on how this improvement should occur, show a sincere commitment to effective transparency.

- The multiple opportunities for feedback from critical customers and stakeholders, including an email address for general questions, a survey on sustainability, and site-specific contact information, communicate to viewers of the web site that BMS is sincerely interested in receiving input and suggestions.

- Workshop participants were enthusiastic about BMS efforts to include facility-specific information, and acknowledged the difficulty of balancing the opportunity for facility-specific feedback with the desire to direct discussion on larger, more overarching issues to the main BMS web site.

- The Process Greenness Scorecard is a creative, effective indicator of progress towards company sustainability goals.

- The independent audit by a consulting firm that BMS obtained for the content of its sustainability web site was a positive step towards successful transparency, and increased the credibility of the information provided.

Suggestions for Improvement

Much of the feedback received on the BMS sustainability web site was positive. Several workshop participants said that the site represented a "benchmark" for how other companies should strive to report on their sustainability performance. In light of this, suggestions for improvement included specific comments on the BMS site, but also addressed the broader issue of corporate transparency efforts in general. Specific suggestions for BMS are listed immediately

below, while broader concepts are covered in the Session One "themes" section and the Session Two observations.

- The inclusion of individual facility web pages raised expectations for the availability of information, such as site-specific release data. Viewers were disappointed because few such data were available. BMS should consider ways in which to make expectations for site-specific data more consistent with what is actually presented on individual facility pages.

- BMS engaged in dialog with customers and stakeholders on the company's sustainability framework and goals, which was a critical step towards transparency, but did not effectively present information on this dialog and the ways in which the company was responsive. Workshop participants indicated that this was a missed opportunity for generating further credibility for the company's transparency efforts.

- Although BMS has undertaken substantial outreach and notification efforts (including distribution of web site information to an estimated 5,000 customers and stakeholders), the NGOs present at the workshop were largely unaware of these efforts and encouraged BMS to raise the profile of the company's sustainability and transparency efforts through broader promotion of the web site and other general promotional or outreach activities.

- The web site does not have in-depth data on social sustainability performance comparable to its data on economic and environmental performance. Workshop participants recognized that while this is a potential area for improvement for BMS, fewer social performance metrics exist for the industry, and that measurement of the social component of sustainability will increasingly be the subject of industry discussions. During this process, BMS should consider posting an explanation of why few social metrics exist, and additionally, why certain GRI indicators are not used.

- Workshop participants recognized the audit of the BMS web site content as a step in the right direction, but also commented that there would be a higher level of comfort with the audit process if it were extended to include an additional third party/independent perspective, such as an external advisory group.

- One participant observed that the BMS web site currently reports greenhouse gas emissions of CO_2 only in kilograms per $1,000 sales. This participant noted that transparency efforts relating to greenhouse gas emissions could be enhanced by more detailed information including: total, absolute, corporate-wide greenhouse gas emissions data; and baseline emissions information and a definition of the types of emissions included (direct and/or indirect). This information, which may soon be required for reporting in the European Union, is of interest to the public and investors, and could help to more accurately represent a company's carbon footprint.

- A suggestion was made to include a corporate climate change statement on the BMS web site that would include specifics on how BMS will meet its corporate pledge to reduce absolute GHG emissions by 10% of 2001 levels. Such a statement could help to increase

the credibility and transparency of BMS's climate change efforts. The Partnership for Climate Action (www.pca-online.org), and the greenhouse gas management and reduction targets in which its corporate members are involved, provide a potential benchmark for corporate efforts and actions to reduce greenhouse gas emissions, and might be useful in the development of a BMS climate change statement.

- Other comments from workshop participants included suggestions to do the following: include more anecdotal stories and details of successes, particularly to cater to the audience of internal company stakeholders; acknowledge and discuss key issues specific to the pharmaceutical industry, such as animal testing; and include a more obvious link to the BMS sustainability web site from the BMS home page.

Themes

- The degree of outsourcing done by a company has a potential impact on the way in which a company reports its sustainability performance. Workshop participants discussed the ability to expand transparency efforts to cover products' entire value chains. This approach to transparency would create greater comparability across companies with varying degrees of outsourcing.

- One step beyond the consideration of product value chains is the inclusion of entire product life cycles in sustainability reporting. While product life cycle issues, such as pharmaceuticals in waterways, can be difficult or impossible for a company to directly address, reporting on such issues is one way in which a company can earn credibility by considering the larger question of the role and impact of its industry within society.

- Information on company sustainability performance trends is equally, if not more, important than data on current performance status. Trend information can increase the credibility of a company's commitment to achieve certain sustainability goals by showing how the company will either continue along a current trajectory or change course.

- Providing metadata and/or information on the protocol used to calculate yearly or company-wide performance allows external stakeholders or customers to validate the information displayed in a web site or report, and increases the credibility of company transparency efforts. Protocols for calculating and displaying figures can include voluntary industry standards, government standards, and independent, third party standards.

- The lack of an established "box" or framework (such as GRI, Natural Step, or Natural Capitalism) explicitly connected to and guiding a company's transparency efforts can inhibit a viewer's ability to interpret and/or compare company reporting efforts and results.

- Transparency efforts need to provide evidence of employee engagement in order for customers and stakeholders to receive the message that company commitment to

sustainability and transparency comes not just from upper-level management, but also from the organization as a whole.

- Companies face the challenge of extending transparency efforts to a diverse array of customers and stakeholders, some or many of whom may not have Internet access. In some cases, even a printed report can be ineffective in communicating a message to stakeholders because of illiteracy or language barriers. Furthermore, it can be difficult to know if information presented is relevant to stakeholder needs.

DISCUSSION SESSION TWO: KEY INGREDIENTS TO SUCCESSFUL CORPORATE TRANSPARENCY

Discussion during this session covered a combination of questions that were raised during Session One and Session Two. Therefore, the observations below relate to the following questions:

- What are potential approaches to ensuring transparency efforts address stakeholder interests and will be viewed credibly, and in particular, what role and expectations are there for verification?
- What are the most effective ways to make stakeholders aware of and engaged in a company's transparency efforts? How can transparency efforts engender effective two-way dialog?
- What are the key ingredients to getting high marks for corporate transparency?
- In what ways can NGOs respond favorably to corporate transparency efforts to encourage more and better transparency?

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

- One strong indicator of effective transparency is for critical customers and stakeholders to view a company's transparency efforts as credible and sincere. In effect, a successful transparency effort would engender in critical customers the following response: "this company is genuinely trying to improve performance and is working hard to do so."

- Critical customers and stakeholders view transparency efforts as credible and sincere if the efforts address issues in a balanced manner; are responsive to stakeholder input/engage stakeholders in a process; report actual progress, or if not progress, then provide a thorough explanation of challenges and a future commitment to progress; and convey that the company is doing, or is striving to do, its best within its current organizational framework (e.g., current capital equipment), while laying the groundwork for further improvements through, for example, its research and development (R&D) activities.

- Replicability and comparability of information are key components to credible transparency. Aggregate or calculated data are viewed more credibly when accompanied by information about the aggregation or calculation method through, for example, metadata or description of a protocol. Some workshop participants suggested the use of government standardization for sustainability reporting to better enable comparability; others viewed mandatory standardization as inefficient and unproductive based on experience with current regulation-based reporting systems.

- Site-specific or facility-specific data is an important component of sustainability reporting and should be made available to interested customers, but constitutes a "niche market" for overall company transparency efforts. Companies must consider the costs of making this type of information available on a web site or in printed format, given the likely low number of organizations or individuals that will use this information. Using the web site or written document as a "portal" to such data (e.g., including contact information for an individual or office that can field requests for additional data) may be the most efficient way to accommodate such customer and stakeholder "niche market" needs.

- NGO participants indicated that when they view transparency efforts as credible and sincere, they could be in a position to respond favorably. Such responses can include explicit acknowledgement of companies as "good" or "strong" actors and/or a willingness to connect directly in the form of, for example, partnerships. NGO participants indicated that they could be in a position, in effect, to provide a "seal of approval" for organizations deemed sincere and credible.

- The current controversy over the relationship between "corporate speech," sustainability reporting, and company transparency efforts has a potential constraining effect on companies' willingness to report voluntarily on performance and future goals.

- Transparency efforts can be vulnerable to suspicion from some key customers and stakeholders who perceive transparency to be more publicity than action. Workshop participants discussed companies that have raised expectations substantially by positioning themselves prominently in sustainability forums, while potentially failing to fully follow through in such areas as degree of R&D dedicated to the sustainability of future operations.

- Three primary dimensions of corporate transparency emerged from the discussions: quality information, commitment to improvement, and responsive dialog. Each of these dimensions must be supported to a sufficient degree to receive favorable responses from critical customers and stakeholders. Quality information as a component of transparency is defined as information that is timely, consistent, accurate, relevant, verifiable, and balanced. A company commitment to improvement includes: accepting challenges instead of justifying current performance; doing a company's best within the current framework of resources, market forces, and other challenges; and laying a foundation for future performance, for example, through R&D efforts. Finally, a responsive dialog consists of the following: a two-way flow of information; an on-going process of

communication within which this information flow can occur; and information that is relevant to critical customer and stakeholder interests.

- The universally positive response from workshop participants that BMS is genuinely working hard to improve performance indicates that that the company is successfully supporting the three primary dimensions of corporate transparency (quality information, commitment to improvement, and responsive dialog). In addition, participant responses show that the content of the information presented on the web site works well to support transparency. This content includes a series of important building blocks, each of which contribute to the success of the site: vision and strategy, company profile, governance structure and management systems, sustainability performance, web site functionality, and stakeholder engagement processes.

- Much of the discussion during the workshop touched upon various aspects of involving or communicating with critical customers and stakeholders. A traditional definition of a company's critical customers includes shareholders and consumers of the company's products or services. However, companies are increasingly recognizing that in order for transparency to be successful, the definition of critical customers must be broadened to include local, national, and international interest groups, and that companies should engage with these groups on sustainability issues through increased dialog.

WRAP UP AND NEXT STEPS

Mr. Tollett concluded the workshop by explaining that the GEMI Transparency Workgroup will meet to decide how to use the information gathered in the series of transparency workshops. The focus of the workgroup's discussions will be on deciding whether enough information exists to create a primer on transparency, or whether it would be more useful to convene for more workshops similar to those held in Oakland, Atlanta, and Newark.

APPENDIX A: WORKSHOP AGENDA

Defining Transparency: Expectations and Obstacles
Roundtable Workshop III

Sheraton Newark Airport Hotel
Newark, NJ
February 26, 2003

10:00 AM – 3:00 PM

Workshop Agenda

10:00-10:15 a.m.   ***Welcoming Remarks and Introductions***
                        GEMI Antitrust Guidelines
                        Robin Tollett, Procter & Gamble, Chair of GEMI Transparency Work Group

10:15-10:30 a.m.   ***Participant Introductions***

10:30-10:40 a.m.   ***Introduction of Meeting Facilitator, Agenda Review, and Ground Rules***
                        Rob Greenwood, Ross & Associates

10:40-11:00 a.m.   ***Review findings from workshop I & II (October 2001 & May 2002)***
                        1. What we mean by transparency
                        2. Goals or expectations for establishing transparency
                        3. Key themes from the workshops

11:00-11:30 a.m.   ***Bristol-Myers Squibb (BMS) Web Site Background***
                        Presentation by BMS on the development and purpose of, and response to, their
                        sustainability web site

11:30-11:50 a.m.   ***Break.*** *(Working lunch to continue discussions)*

11:50-1:30 p.m.   ***Bristol-Myers Squibb Web Site Detailed Discussion***
                        Discuss concrete examples of participant experiences with corporate
                        transparency efforts and compare to the BMS web site in the context of
                        the following three questions:
                        1. What information contained on the web site is most/least useful and
                           why? What information is missing and why is it important? What can
                           be an effective balance between the use of the web site and hard copy
                           reports?
                        2. What are potential approaches to ensuring transparency efforts address
                           stakeholder interests and will be viewed credibly, and in particular,
                           what role and expectations are there for verification?

3. What are the most effective ways to make stakeholders aware of and engaged in a company's transparency efforts? How can transparency efforts engender effective two-way dialog?

1:30-2:30 p.m. ***General Transparency Discussion***
1. What are the key ingredients to getting high marks for corporate transparency?
2. In what ways can NGOs respond favorably to corporate transparency efforts to encourage more and better transparency?

2:30-3:00 p.m. ***Wrap up and next steps***

APPENDIX B: LIST OF PARTICIPANTS

GEMI Representatives

Jean Bohan – Ashland Inc.
Russ Cerchiaro – Schering-Plough Corporation
Mark Chatelain – Johnson Controls Inc.
Al Collins – Occidental International
Vincent DiGregorio – Aventis Pharmaceuticals, Inc.
Steve Hellem – GEMI
David Jacoby – Georgia-Pacific Corporation
Jim Kearney – Bristol-Myers Squibb
Keith Miller – 3M
Leslie Montgomery – Southern Company
George Nagle – Bristol-Myers Squibb
Vivian Pai – Johnson & Johnson
Mary Beth Parker – Mirant Corporation
Jim Thomas – Novartis Corporation
Robin Tollett – Procter & Gamble
Keith Zook – Procter & Gamble

NGO Representatives

Joy Hecht – NJ Sustainable State Institute
Jason Morrison – Pacific Institute (via teleconference)
Amanda Sauer – World Resources Institute
Gus Silva-Chavez – Environmental Defense
Alyson Slater – Global Reporting Initiative
Andy Smith – Earth Ethics

Facilitators

Rob Greenwood – Ross & Associates Environmental Consulting, Ltd.
Dan Stonington – Ross & Associates Environmental Consulting, Ltd.