

## **WORKSHOP PROCEEDINGS**

### ***Defining Transparency: Expectations and Obstacles NGO-Industry Roundtable Workshop***

Held at Preservation Park  
Oakland CA

October 24, 2001

#### **SPONSORED BY**

##### **Pacific Institute for Studies in Development, Environment, and Security**

654 13th Street, Suite 104  
Oakland, CA 94612  
(510) 251-1600 fax (510) 251-2203  
<http://www.pacinst.org>

##### **Global Environmental Management Initiative (GEMI)**

One Thomas Circle, NW Tenth Floor  
Washington, DC 20005  
(202) 296-7449 fax (202) 296-7442  
<http://www.gemi.org>

## *TABLE OF CONTENTS*

|  |           |
|--|-----------|
| <b>PREFACE</b> .....   | <b>2</b>  |
| <b>EXECUTIVE SUMMARY</b> .....   | <b>2</b>  |
| <b>SESSION ONE: DEFINING TRANSPARENCY</b> .....  | <b>3</b>  |
| THEMES: .....  | 4         |
| <b>SESSION TWO: GOALS OR EXPECTATIONS FOR ESTABLISHING<br/>TRANSPARENCY</b> .....      | <b>4</b>  |
| THEMES: .....  | 5         |
| <b>SESSION THREE: CASE STUDY OF ENVIRONMENTAL REPORTING AND<br/>TRANSPARENCY</b> ..... | <b>6</b>  |
| <i>Strengths:</i> .....  | 6         |
| <i>Weaknesses:</i> .....   | 7         |
| THEMES: .....  | 7         |
| <b>WRAP UP AND NEXT STEPS</b> .....  | <b>7</b>  |
| SUMMARY:.....  | 8         |
| <b>APPENDIX A: WORKSHOP AGENDA</b> .....   | <b>9</b>  |
| <b>APPENDIX B: LIST OF PARTICIPANTS</b> .....  | <b>10</b> |

## **PREFACE**

On October 24, 2001, the Pacific Institute for Studies in Development, Environment and Security and the Global Environmental Management Initiative (GEMI) hosted a half-day roundtable workshop entitled *Defining Transparency: Expectations and Obstacles*. Sixteen people attended, with eight NGOs, seven companies, and a facilitator represented. Participants from the non-profit sector included state and national conservation organizations, environmental justice groups, and local community-based organizations. Industry participants were from various electronic, communication, and manufacturing sectors.

The purpose of the workshop was to better understand whether the two groups could agree on the meaning of “corporate transparency” and, if so, how to best achieve it. The discussion was informal, providing both stakeholder groups an opportunity to learn from one another on how businesses can improve upon the effectiveness and credibility of their environmental performance.

## **EXECUTIVE SUMMARY**

The three major themes that emerged from the day’s discussions were:

First, transparency is more a process than a product. Transparency is a dialogue about what exchanges of information are appropriate and how fairly to assess that information. *How* a company decides what and how to report, who has access to data/information, and how the company responds to feedback is as important as the raw data itself, collection methods, aggregation of information, etc.

Second, thinking about transparency as a process potentially helps with the conundrum of comparability versus individual tailoring. NGOs have a high interest in comparability, while acknowledging that companies will need to tailor their reporting. The process aspects of transparency can lend legitimacy to the choices made within a flexible reporting system.

Third, transparency is fundamentally about empowerment and trust. When external stakeholders are empowered to make informed choices, corporate behavior is influenced. Through transparency, consumers and communities get empowerment and, in return, the company builds trust enabling it to manage its affairs more effectively and efficiently.

The workshop was facilitated by Rob Greenwood of Ross & Associates, who led the group through three discussion items:

1. What is the definition of corporate transparency?
2. What are industry and NGO expectations regarding the purpose of or desired “end-state” of corporate transparency?
3. How can environmental reporting meet transparency goals? What information in particular do NGOs believe is important?

Each discussion began with informal brainstorming, after which discussion items were grouped into thematic categories and areas of agreement and disagreement were identified. All attendees participated in their individual capacity, not as representatives of their

organizations (though comments are occasionally identified here as “NGO participants” or “industry participants” when differences of opinion between the groups are being highlighted).

## **SESSION ONE: DEFINING TRANSPARENCY**

Each participant was encouraged to share his/her definition of transparency. Though the attendees did not attempt to come up with a single definition, participants did dissect many aspects of transparency and defined desirable attributes.

Members of the group suggested the following purposes for transparency:

- Enables informed decisions by internal and external stakeholders
- Empowers stakeholders to influence decisions that will affect their lives
- Shares critical information with customers
- Fulfills the public’s right to know and right to understand
- Aids understanding of internal data processes, benchmarks, etc.
- Allows for consumer education and informed choice
- Allows for assessment of performance

Participants considered the following attributes to be the characteristics of credible, transparent information.

- Comprehensive and complete
- Credible and verifiable
- Consistent and comparable
- Proactive in assessing information and data needs, but also responsive to specific information needs, allowing the stakeholder to determine concerns and needs
- Timely data provided to the audience that has the concern
- Honest and open (acknowledging missing data or information, and not lapsing into “marketing” or “public relations”)
- Accessible and understandable
- “Unfiltered”

A transparent system would provide timely and appropriate data to audiences with specific concerns, and an organization should be proactive in assessing information and data needs, but also responsive to specific information needs, allowing stakeholders to influence the information exchange.

Participants outlined the scope of information and data that an ideally transparent system should report, and agreed generally that a range of information on the organization’s policies, practices, and performance would be desirable in the following areas:

- Social accountability, including labor practices, ethical performance, finances, environmental health and safety
- Human rights
- External impacts of operations, including impacts on the natural world as well as human health

Most participants also accepted the need for information on a variety of levels:

- Facility level information, perhaps even down to the unit or particular valves
- Aggregated corporate and global information
- Information that follows the supply chain
- Information that can respond to both acute and long-term effects
- Benchmarks and trends

**Themes:**

- Though the group seemed generally comfortable with the desirability of providing a wide scope of information at various levels, some industry participants expressed concerns about the daunting task of achieving such a goal. Not all data are collected or they are not collected in a consistent way that can then be aggregated. These data collection and reporting challenges also underlay the difficulty in creating consistent and comparable measures over time and among industries.
- Both sides expressed frustration about finding effective ways of making information more accessible. Though organizations collect a lot of information and report much of it to government regulators, relatively little is open for easy public access.
- There appeared to be consensus that credibility and verifiability was vital, yet challenging. Several NGOs commented on the need for third-party verification and for access to raw data so that persons outside the corporations can make their own interpretations. “Self-reporting” and “self-certification” by corporations (on their performance levels or adherence to international standards, for example), they suggested, are inherently suspect.
- There was discussion regarding the need to separate data from marketing and public relations spin: NGO participants noted that transparency requires data and information that are delivered in an unfiltered manner, and is honest and open about what is known and not known. This is a very different function from marketing and public relations.
- There was general recognition that a process must be responsive to different stakeholder needs, in terms of information requested, the scale requested, etc.; it needs to be a “stakeholder-driven” process.
- The issue was raised about how to balance public access to information and corporation’s concerns about trade secrets and competitive advantage.

**SESSION TWO: GOALS OR EXPECTATIONS FOR ESTABLISHING TRANSPARENCY**

*Question:* What are the desired outcomes to be achieved through transparency?

At the highest level (and over the long-term), transparency could assist with the achievement of sustainability and improved quality of life through improved performance. Ideas from the discussion included:

- Achieving equity, justice and basic human rights
- Improving lives of world consumers
- Contributing to a sustainable world

- Establishing sustainable economies
- Ensuring international equity of quality of life, not a transfer of impacts

Transparency of operations and impacts could change both corporate and consumer behavior in the market place:

- Markets, through informed consumer choices, would lead companies to prioritize environmental protection
- Ability to demonstrate first-mover advantage and improve competitiveness
- Allow corporations to gain trust needed to thrive
- Establish market differentiation based on impacts such that industries must align economic decision making with social and environmental values
- Through the investment of resources in meaningful reporting, clear, commensurate bottom-line benefits will emerge

Transparency could improve industry-stakeholder (or public) relationships:

- Create a foundation for a two-way relationship between corporations and the public (and/or other stakeholders) to allow for more open and productive negotiation
- Gain trust of public and stakeholders to thrive: i.e. build plants, hire locally, expand business, win market share

Transparency would improve both corporate and stakeholder decision-making:

- Enable decisions that influence behavior, and eventually performance
- Demonstrate clear relationships among corporate actions and environmental outcomes to allow businesses the ability to invest logically to reduce footprint impacts
- Promote stakeholder-based decision-making
- Enhance and enable the public's "right to know" and understanding of risk

**Themes:**

While there was general comfort with transparency as a goal, participants raised questions about how the existing reporting environment (voluntary and regulatory) supports such goals.

- Industry participants noted that it is essential that data generated by a company first add value for internal purposes; it can then serve as the basis for external communications.
- They also raised the issue of the negative incentives within existing regulatory reporting requirements. In the current environment, corporations are reluctant to share information because everything is penalty-based.
- For companies with international operations, it was felt that it is important to give a global data set, so as to paint the full picture and demonstrate the nature of the full company.
- Both industry and NGO participants agreed that complex regulatory reporting and inadequate record keeping makes information inaccessible and often irrelevant (in terms of timing or comparability). Existing reporting requirements should be improved to better consolidate data and information and improve public access.

- Several industry participants raised a concern about how to ensure that all this data and information gathering and sharing was both effective and efficient. How might such efforts also serve to streamline regulatory reporting requirements as well?
- There is a need/opportunity for NGOs to play a role in challenging and discarding inaccurate and/or misleading information provided by a company.
- NGO participants stressed the value and need for linking transparent reporting to behavior that goes beyond compliance. Industry participants agreed and commented that too often regulations are restricted to negative aspects of corporate compliance, rather than allowing for, let alone rewarding, positive reporting.
- If reporting on corporate behavior or impacts are really to influence consumer behavior and vice-versa, then there needs to be a more effective and efficient mechanism for communicating consumer environmental needs as well. There is a sense that such a consumer feedback mechanism is weak or unproven. Thus, if a consumer preference feedback loop is, in part, what transparency is trying to address, this explicit exchange between corporation and customer must be emphasized.
- All participants seemed to agree that there are gains to be made through voluntary reporting, but were cautious about the impact that such reporting should have on regulation. The intent is to support, complement, and move beyond regulation. Several NGOs mentioned that current right to know laws and regulatory requirements were a solid foundation to build upon.

### **SESSION THREE: CASE STUDY OF ENVIRONMENTAL REPORTING AND TRANSPARENCY**

**Reporting in Practice:** In an effort to ground a discussion of the strengths and weaknesses of existing environmental reporting schemes as vehicles for “transparency,” the *Global Reporting Initiative* (GRI) was chosen for critique.

#### *Strengths:*

- Most participants admired the breadth of information included in the report: economic, labor, human rights, and environmental information, as well as policy, practices, and actual performance.
- An industry participant who has used the GRI appreciated the flexibility within guidelines that allows for improvement over time and the ability to tailor responses. Other participants agreed that this allowed for reporting that could be customized to industry characteristics as well as customer needs.
- Though the GRI addresses out-sourcing, input reporting, and supply chain reporting (subjects deemed important by many participants), not everyone was satisfied with the information reported.
- The process to develop the GRI was an open and inclusive one, establishing credibility with a diverse number of stakeholders.

- A GRI report itself does not offer an evaluation. As a tool, it presents a wealth of information that others can then use to evaluate through whatever lens they deem appropriate.

*Weaknesses:*

- NGOs commented that the GRI addresses aggregated, corporate level data and not facility level reporting. Both are necessary.
- While acknowledging the breadth of information GRI does address, NGO participants commented that it was not necessarily comprehensive; its voluntary nature permits corporations to pick and choose what they report. A GRI report does not inform the user about how reporting decisions were made, about internal verification, or about priorities.
- An industry participant noted that participating in the GRI did not reduce data needs in other areas.
- Participants seemed to agree that flexible reporting can cause inconsistency, confusion, and gaps, as well as variability in the quality of information reported (lack of standards, of specificity, of precision). There is no basis for comparison without comprehensiveness and standardization.
- Voluntary participation also limits the value of the report if there is not enough participation for sector comparisons.
- NGOs noted the current lack of an independent verification mechanism within GRI
- GRI has no track record yet; it is not clear who is using it and how.

**Themes:**

- There was general recognition that no single reporting mechanism can fulfill all needs. Transparency is a dynamic process that operates on many levels and through multiple mechanisms.
- Industry participants expressed concern about their ability to be responsive to ALL data needs.
- More consistent and comprehensive reporting across corporations and down to the facility level is necessary. Reported information should allow for aggregation and disaggregation in a consistent and comparable manner.
- NGOs made the distinction between reporting, and transparency of reporting – transparency implies an ability to know what was and was not reported, and the ability to independently verify the information.

**WRAP UP AND NEXT STEPS**

In concluding the workshop, participants were asked for concluding comments on what they felt were critical next steps for enabling transparency, and closing the gaps between existing reporting approaches and true transparency. Comments included:

- Dialogue between stakeholders continues to be important to gain better insight into each other's perspectives and to promote a shared understanding of what is desired and how best to proceed.
- NGOs need a better understanding of corporate constraints on reporting.
- Industry feels it still needs to hear more clearly what external stakeholders need and want.
- Industry stressed the need to better identify tangible benefits and create incentives for promoting transparent systems – how can companies best justify undertaking



transparency efforts? NGOs have a role to play in establishing and promoting benefits and incentives.

- All should take advantage of (and participate in) existing processes, like the GRI, that are examining and developing reporting mechanisms.
- We need to improve the accessibility and use of existing data. Where is it and how can we access it?
- There are many mechanisms and processes that contribute to transparency: reporting, community relations, stakeholder involvement in advisory groups, etc. We need to further map and assess these different mechanisms of transparency and how they can contribute.
- We need to continue to examine the impediments to transparency
- Increased and continuous dialogue/discussion will influence industry plans and behavior.
- Corporate global reporting and facility-level community reporting paths are separate and should be treated as such.

**Summary:**

What was striking about the discussion was the level of agreement. What was important about the meeting was the level of trust that developed throughout the day between individuals who often find themselves on opposite sides of issues. The group generally agreed that information has the power to differentiate and to provide recognition for leaders and to embarrass laggards. Questions centered on how best to devise a system that will provide the “biggest bang for the buck.”

## **APPENDIX A: WORKSHOP AGENDA**

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

Preservation Park – Ginn House, Large Parlor  
Martin Luther King Jr. Way & 13<sup>th</sup> Street, Oakland  
October 24, 2001 - 9:00 AM – 2:30 PM

- 9:00-9:15 a.m.      ***Welcoming Remarks and Introductions***  
Robin Tollett, Procter & Gamble, Chair of GEMI Transparency Work  
Group  
Jason Morrison, Pacific Institute, Director of the Economic  
Globalization & Environment Program
- 9:15-9:25 a.m.      ***Participant Introductions***
- 9:25-9:35 a.m.      ***Introduction of Meeting Facilitator, Review the Agenda, and Ground  
Rules***  
Rob Greenwood, Ross & Associates
- 9:35-10:10 a.m.      ***Define what we mean by transparency***  
Discussion about definitions of corporate transparency
- 10:10-10:50 a.m.      ***Goals or expectations for establishing transparency***  
What are we trying to achieve with transparency? What is your sense  
of the end state we hope to achieve through transparency.
- 10:50-11:00 a.m.      ***Break***
- 11:00-12:45 p.m.      ***Environmental reporting and transparency***  
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.
- 12:45-1:15 p.m.      ***Lunch Break. Lunch served on premises.***
- 1:15-2:00 p.m.      ***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.
- 2:00-2:30 p.m.      ***Wrap up and next steps***

## APPENDIX B: LIST OF PARTICIPANTS

|                            |   |   |
|----------------------------|---|---|
| Mark Brownlie              | Global Reporting Initiative<br>11 Arlington Street, 5th Floor<br>Boston, MA 02116                         | <b>Primary Phone:</b> (617) 266-9384<br><b>e-mail:</b> <a href="mailto:brownlie@globalreporting.org">brownlie@globalreporting.org</a>   |
| Michelle Chan-Fishel       | Friends of the Earth<br>1847 Berkeley Way<br>Berkeley, CA 94703   | <b>Primary Phone:</b> (510) 848-1155<br><b>e-mail:</b> <a href="mailto:mchan@foe.org">mchan@foe.org</a>                                 |
| William Collins            | Occidental Petroleum Corporation (OXY)<br>1717 Pennsylvania Ave., N.W., Suite 400<br>Washington, DC 20006 | <b>Primary Phone:</b> (202) 857-3051<br><b>e-mail:</b> <a href="mailto:al_collins@oxy.com">al_collins@oxy.com</a>                       |
| Amy Goldman                | GEMI Program Director<br>One Thomas Circle, NW Tenth Floor<br>Washington, DC 20005                        | <b>Primary Phone:</b> (202) 296-7449<br><b>e-mail:</b> <a href="mailto:agoldman@navista.net">agoldman@navista.net</a>                   |
| Denny Larson               | Global Community Monitor<br>222 Richland Avenue<br>San Francisco, CA 94110                                | <b>Primary Phone:</b> (415) 643-1870<br><b>e-mail:</b> <a href="mailto:dennylarson@hotmail.com">dennylarson@hotmail.com</a>             |
| Catherine McKalip-Thompson | Enron Corp  |   |
| Jason Morrison             | Pacific Institute<br>654 13 <sup>th</sup> St., Preservation Park<br>Oakland, CA 94612                     | <b>Primary Phone:</b> (510) 251-1600<br><b>e-mail:</b> <a href="mailto:jmorrison@pacinst.org">jmorrison@pacinst.org</a>                 |
| Gary Niekerk               | Intel<br>145 S. 79th Street - CH10-22<br>Chandler, AZ 85226-3699  | <b>Primary Phone:</b> (480) 552-1024<br><b>e-mail:</b> <a href="mailto:gary.niekerk@intel.com">gary.niekerk@intel.com</a>               |
| Naomi Roht-Arriaza         | U. of California Hastings School of Law<br>200 McAllister Street<br>San Francisco, CA 94102               | <b>Primary Phone:</b> (415) 565-4629<br><b>e-mail:</b> <a href="mailto:rohtarri@uchastings.edu">rohtarri@uchastings.edu</a>             |
| Ted Smith                  | Silicon Valley Toxics Coalition<br>760 N 1st Street<br>San Jose, CA 95112                                 | <b>Primary Phone:</b> (408) 287-6707<br><b>e-mail:</b> <a href="mailto:tsmith@igc.org">tsmith@igc.org</a>                               |
| Jerry Speir                | Tulane Institute of Env. Law & Policy<br>8318 Zimpel Street<br>New Orleans, LA 70118                      | <b>Primary Phone:</b> (504) 232-1809<br><b>e-mail:</b> <a href="mailto:jerryspeir@hotmail.com">jerryspeir@hotmail.com</a>               |
| John Stein                 | Anheuser Busch Companies, Inc.<br>3636 S. Geyer Road<br>St Louis, MO 63127                                | <b>Primary Phone:</b> (314) 984-4565<br><b>e-mail:</b> <a href="mailto:john.stein@anheuser-busch.com">john.stein@anheuser-busch.com</a> |
| Robert (Robin) Tollett     | The Procter & Gamble Company (P&G)<br>8256 Union Centre Boulevard<br>West Chester, OH 45069               | <b>Primary Phone:</b> (513) 634-9894<br><b>e-mail:</b> <a href="mailto:tollett.rm@pg.com">tollett.rm@pg.com</a>                         |
| Sheila Voth                | Motorola<br>1303 East Algonquin Road<br>Schaumburg, IL 60196-1065   | <b>Primary Phone:</b> (847) 538-4058<br><b>e-mail:</b> <a href="mailto:sheila.voth@motorola.com">sheila.voth@motorola.com</a>           |
| Arlene Wong                | Pacific Institute<br>654 13 <sup>th</sup> St., Preservation Park<br>Oakland, CA 94612                     | <b>Primary Phone:</b> (510) 251-1600<br><b>e-mail:</b> <a href="mailto:awong@pacinst.org">awong@pacinst.org</a>                         |
| <b>Facilitator</b>         |   |   |
| Rob Greenwood              | Ross & Associates Environmental Consulting<br>1218 Third Avenue, Suite 1207<br>Seattle, WA 98101          | <b>Primary Phone:</b> (206) 447-1805<br><b>e-mail:</b> <a href="mailto:rob.greenwood@ross-assoc.com">rob.greenwood@ross-assoc.com</a>   |