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Community Relations Management System



Communications
and Reporting
Manual

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Communications and Reporting Manual****Funding**

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Particularly this Manual was developed in the context of the promotion of Sustainable Development of the Communities for the Relations with Communities Management System.

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1.0 INTRODUCTION

1.1 PURPOSE OF THE MANUAL

The purpose of the Communications and Reporting Manual is to guide Oil and Natural Gas Companies in Latin America and the Caribbean in the task of communicating with communities and stakeholders at a local level, within the framework of the company's Community Relations Management.

Specifically, this Manual provides guidelines for the design and implementation of a communications plan that will support the policies and approaches of the Industry's relations with communities, and the processes of citizen participation and dialogue with stakeholders, and will allow the company to disseminate information with regards to their social investment programs and initiatives and participation in local development.

This Manual includes procedures for the disclosure, through Sustainability Reports, of the companies' performance in their relationships with communities, both the positive and negative local impacts, and the results of triple bottom line: economic, environmental, and social.

1.2 ROLE OF COMMUNICATIONS AND REPORTING IN SOCIAL RESPONSIBILITY

Companies require excellent communication systems in order to be successful and competitive. *“Any organization intending to continue being competitive (or merely surviving) in this sector characterized by instantaneity and globalization, should develop its own communication skills. The flow of information in real time, within an organic structure, makes feedback more flexible and quick and provides support for prompt corrections along the way”¹.*

The manner in which the communication systems are conceived and managed closely relates to Corporate Social Responsibility. As the CSR principles become part of the culture of companies, such principles start emerging more frequently in the internal and external communication processes, and become differentiators of organizational identity.

Sustainability communications and reports play a vital role in the companies' management of Social Responsibility, on account of the following:

¹ PINEDO, Victor: Tsunami. Building Organizations with the Ability to Prosper in Tidal Waves, 2004.

1. Sustainability communications play a cross cutting role in each of the phases of the systemic process of community relations.
2. Sustainability communications are the pillars of strategies for inclusion and engagement of stakeholders.
3. Sustainability communications activate institutional transparency.
4. Sustainability communications allow an increased visibility of social investment initiatives and contributions from companies to sustainable development.
5. Sustainability communications help companies to obtain a “social license”.

1.2.1 Systemic Function of Communications and Reporting in Social Responsibility Models

The importance given to communications is what differentiates Social Responsibility management systems from other management systems applied in organizational contexts.

The first international regulation on *accountability*² and dialogue with stakeholders AA1000 (AccountAbility, 1999) expressly acknowledges the role of communications as a key factor in social and ethical performance, and in

accountability.

The organization Global Reporting Initiative (GRI), whose mission is to develop methodologies for preparing sustainability reports of global scope and to standardize performance indicators, has assigned an increasingly important role to communications with and feedback from stakeholders through its three versions of guidelines, specifically, through their most recent version, GRI G3, 2006. Communications between the parties is transformed by the environment, where the various social role-players start a process of interrelation and dialogue.

Both the management model of the Social Responsibility standard, ISO 26000, and the methodological guidelines developed by the United Nations Global Compact for the implementation of its ten principles in companies (Fussler, 2006) agree with regards to the relevance of this component.

In both models, multi-stakeholder communications include the practice of reporting, recognizing that sustainability reporting is understood as the regular publication of reports or annual accounts on organizational performance in the triple economic, environmental, and social bottom line.

The importance of communication and broadcasting of sustainability reports is set forth in the guideline for Social Responsibility management proposed in standard ISO 26000 currently in development, as illustrated in Figure 1.

United Nations Global Compact member companies are required, in turn, to report annually to their stakeholders about the progress achieved in their application of the ten principles and their participation in United Nations development projects.

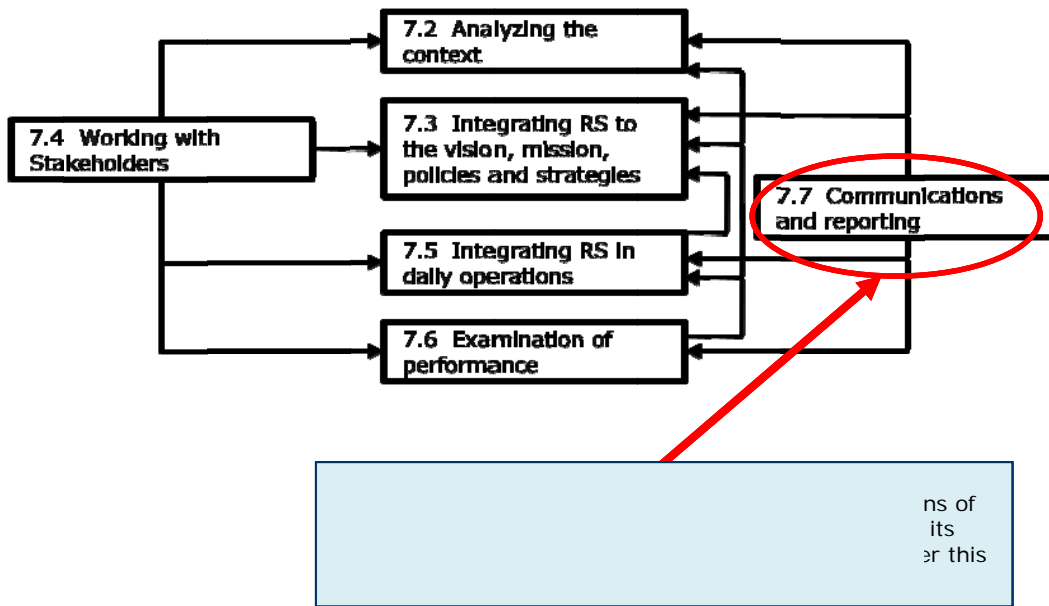
Failure to report annually shall be grounds for elimination of the company from the list of “active” members of the Global Compact, as a measure to protect the integrity of this initiative.

² There is no translation for *accountability* into Spanish, on which account the Anglo-Saxon expression is used, referring to rendering of accounts, transparency, and responsibility of an organization for its decisions and actions, and the capacity to provide answers to its corporate management bodies, regulatory authorities, and more widely, to other stakeholders.

The Progress Report is a significant demonstration by participants of their commitment to tGlobal Compact and principles thereof.

Global Compact publicly distinguishes the companies which stand out for their good COP practices, acknowledging the reports which comply with the required criteria by the denomination of “noteworthy COP”. The COPs of certain Oil and Natural Gas companies in Latin America have been acknowledged through this mechanism.

FIGURE 1 - ROLE OF COMMUNICATIONS IN SOCIAL RESPONSIBILITY MANAGEMENT³



IS,

In the context of globalization and from the standpoint of sustainable development, transparency attains a growingly important role, especially considering the crisis of institutions’ trustworthiness, greater public scrutiny and growing control of the companies’ conduct by members of civil society.

Communication, as a vehicle for accountability and transparency, should be present in all company activities in order to project its identity, mission, values, and its actions in search for social legitimization, since *“the organization does not decide on its own what is the legitimacy of its actions, but rather the other social role-players and individuals equally take part in making such a decision”* (Vilanova, Lozano, Dinares, 2006).

³ Social Responsibility Management, according to the model developed for Social Responsibility standard ISO SR 26000 (draft WD 4.2, June 2008).

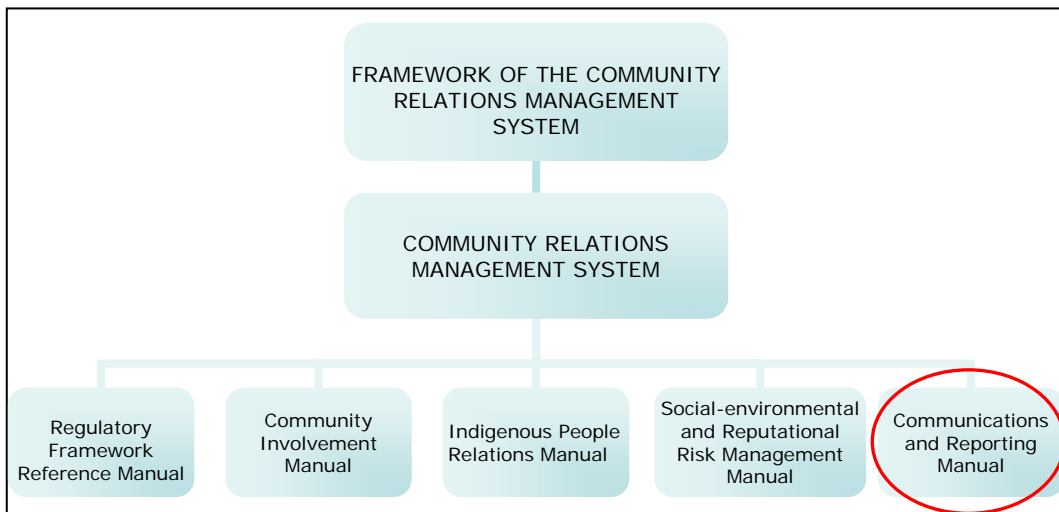
1.3 COMMUNICATIONS AND REPORTING IN THE COMMUNITY RELATIONS MANAGEMENT SYSTEM

The communication and reporting functions are core aspects in ARPEL’s Community Relations Management System. Communications and reporting are elements of community relations management and should be present in each stage of the process: planning, implementation, control and feedback.

The Communications and Reporting Manual is part of the Community Relations Management System, which includes a total of five Manuals providing a close description of

specific management aspects, as illustrated in Figure 2.

FIGURE 2 - COMMUNITY RELATIONS MANAGEMENT SYSTEM



1.4 COMMUNICATION WITH AND REPORTING TO COMMUNITIES IN THE REGIONAL OIL AND NATURAL GAS INDUSTRY

Open and two-way communication strategies help the company to build trust, bond, and favor goodwill or the positive disposition of stakeholders towards the performance of business activities in this field, and thus, to obtain the so-called “social license” or “license to operate”. This tacit permit is in a significant measure the result of the company’s good reputation as socially responsible, which legitimates the company to operate and thrive.

In the last decade, gradual changes have been observed in communications within the activities of community involvement, led by the major companies in this sector, which have made their initiatives more visible, as an essential tool to strengthen relations with their stakeholders, improve institutional transparency rates and enhance corporate reputation.

The industry has faced the need to implement proactive communication strategies linked to its CSR initiatives, upon reaching the conviction that higher visibility is essential to achieve institutional

positioning goals and establish cooperative relationships with the various stakeholders at a local level, especially Government, civil and non-government organizations, citizens and media.

The most frequently used communication and reporting actions in the regional industry are the following:

- a) Broadcasting of social projects in the community, through news features, public interviews or inserts in regional and sector-specific mass communication media.
- b) Newsletters and specialized magazines destined to local communities⁴.
- c) Specialized publications on specific projects.⁵
- d) Information booklets and brochures.
- e) Pages on CSR and sustainable development in company Websites.
- f) Internal communication campaigns.
- g) Publication of outstanding regional initiatives in corporate Sustainability Reports from multi-national companies⁶.
- h) Publication of reports and Sustainability Reports from regional and national companies⁷.

⁴ For example, newsletter "Said and Done (Dicho y Hecho)", in Total, to communities in Tierra del Fuego.

⁵ For example, "A School, a Farm. Experiences in didactic-productive coordination at rural schools in Patagonia", Chevron and Cruzada Patagónica Foundation, 2007.

⁶ For example, Oxy, Repsol YPF, Chevron, Total, BP

⁷ For example, Petrobrás, PEMEX, ENAP, Enap SIPEC Ecuador

2.0 COMMUNICATIONS IN COMMUNITY RELATIONS

2.1 OBJECTIVE

Communication is a key function for the companies' bonding and involvement with their stakeholders, and specifically, with communities.

The purpose of this Chapter is to describe processes for effective communication, as a cross cutting function of community relations management in oil and natural gas companies in Latin America and the Caribbean. This Chapter aims to position the company, legitimize its actions, and align individual actions to the purposes of the organization, as well as contribute to the creation of corporate reputation.

2.2 DEFINITION

Corporate Communications are understood as the set of processes, messages and media involved in the interaction of the company with its stakeholders, both internally and externally.

The term is defined as the process of *"planning, coordination, implementation, control, and evaluation of all the strategies, policies, and actions aimed at obtaining the maximum cooperation from the various stakeholders with the purpose of enabling the organization to achieve its goals"*⁸.

Communications play the role of a middleman between reality and the perceptions of stakeholders and refers to the messages and to the acts and conducts by which – intentionally or not – the company expresses its identity, mission, values, and manner of doing things.

For the purposes of this Manual, the concept of communications will be restricted to the scope of formal production and broadcasting of messages by the company in order to make its identity, mission and values, activities and performance in community relations, known to its various stakeholders, based on their interests and expectations.

2.3 IMPORTANCE OF COMMUNICATIONS WITH COMMUNITIES

The communities in the direct and indirect areas of influence of exploratory and production operations and activities in pipelines, roads, facilities, and industrial plants of hydrocarbon companies, are stakeholders of special significance to the industry. Therefore, their interests, concerns, and expectations in relation to the social-

environmental performance of companies should be heard and addressed.

⁸ Corporate Communication Program, School of Communications, Pontificia Universidad Católica de Chile, 2005.

The industry acknowledges the rights of individuals and the various community role-players to access relevant information about the company's social-environmental management and impacts generated on the physical and social environment, which may affect their quality of life either positively or negatively.

It is the companies' responsibility to inform the stakeholders about the relevant facts linked to the economic activity developed thereby in the community.

The communication methods established by the company to that end provide an opportunity to obtain feedback from the community and gain a wider vision of its needs, concerns, and expectations, as well as how such needs, concerns and expectations may impact the business.

Communication allows companies to project their mission and values, business strategies and performance to the various stakeholders and obtain the feedback required to adjust their corporate policies, projects and operations. Thus, companies may improve their reputation, build trusting relationships, loyalty and a favorable disposition from communities towards the development of industry activities and operations.

2.3.1 Specialization of Corporate Communications

Institutional communications from companies have become specialized. Communications with the various company stakeholders are approached through specific functional areas, as illustrated in Table 1 "Corporate Communications Functions and audiences".

- a) Communications with investors regularly fit in the area of relations with investors or Financial Management;
- b) Internal communications are the responsibility of Human Resources Management or the Personnel Department;
- c) Business and brand communications are assigned to Marketing Management;
- d) Relations with communication media and opinion leaders are built through the areas of corporate communications, public affairs, institutional relations, or the like.

In the last two decades, companies have integrated the multi-stakeholder communications approach within the framework of adopting CSR approaches, emphasizing strategies for communicating with more comprehensive audiences, including the communities in the areas of influence of each of the company's activities and operations.

Nevertheless, a communication strategy with communities should look for synergies with corporate communication strategies. Community members may simultaneously relate in their various roles with the company, for example, as consumers, workers, suppliers, or shareholders, and the messages received from the company through different media should be consistent.

TABLE 1 –CORPORATE COMMUNICATIONS FUNCTIONS AND AUDIENCES

Function	Target Audience	Responsible Area
Communications with investors	Shareholders and financial market	Investor Relations
Internal communications	Internal audiences/ employees	Human Resources
Branding, advertising	Market: clients and consumers	Marketing
Corporate or institutional communications	Communication media, Public Opinion, opinion leaders	Corporate Communications, Corporate Affairs or Institutional Relations
Communications with communities	<i>Stakeholders</i> at local level	Community Relations

2.3.2 The Function of Communications in Community Relations

If we define a socially responsible company as a company which responds to the expectations of its stakeholders, we cannot devise a SR and community relations strategy without granting a leading role to communications.

Community relations management is a relevant sphere of Social Responsibility of companies in the oil and gas industry. Communications, in turn, play a specialized and cross functional role in all stages and phases of Social Responsibility management as a mechanism to establish two-way relations with the various stakeholders, in order to:

1. Learn about stakeholder perceptions and expectations;
2. Inform stakeholders of how the company responds to such expectations;
3. Project its mission, values and policies, through activities, business practices, and voluntary initiatives in benefit of society.

Social Responsibility and actions for engagement of communities involve planning and performing internal and external communication actions that will enable the company to accomplish various objectives, as indicated in Table 2 “Role of communications in the company’s community relations”.

TABLE 2 – ROLE OF COMMUNICATIONS IN COMPANY’S COMMUNITY RELATIONS

Role of communications	Audience	Area
<ul style="list-style-type: none"> ✓ To comply with local legal requirements and international standards of public access to information on the companies’ projects and operations that may affect communities, specifically, in the framework of the EIS. 	Public Opinion in general Opinion leaders Communities Citizens Stakeholders	External communication
<ul style="list-style-type: none"> ✓ To involve communities and establish dialogue with stakeholders 		
<ul style="list-style-type: none"> ✓ To inform on the impacts of the company’s operations and activities on the community 		
<ul style="list-style-type: none"> ✓ To provide evidence of compliance with commitments and respond to stakeholders expectations 		
<ul style="list-style-type: none"> ✓ To inform on the company’s management and performance, and allow for comparison in a time line in order to observe patterns and trends, as well as comparison to other companies in the sector 	Internal audiences and stakeholders in communities	Internal and external communications
<ul style="list-style-type: none"> ✓ Accountability and transparency 		
<ul style="list-style-type: none"> ✓ To improve the company’s reputation 		
<ul style="list-style-type: none"> ✓ To strengthen stakeholders’ trust in the company 		
<ul style="list-style-type: none"> ✓ To broadcast within the company its policies, principles, strategies, plans, programs, and community relation goals, as well as its challenges, commitments, and performance results 	Workers	Internal communications
<ul style="list-style-type: none"> ✓ To engage and motivate employees in voluntary activities 		

2.4 MANAGEMENT OF COMMUNITY COMMUNICATIONS

Given the relevance of communities among stakeholders in the Regional Oil and Natural Gas Industry, the companies in this sector will set communication strategies and action plans as part of their community relations management.

2.4.1 Officers Responsible for Communications with Communities

Planning and execution of the company’s communication actions towards communities will be the responsibility of the Community Relations structure. The responsible officer(s) who will perform this task shall be trained in the specialty of organizational or corporate strategic communication.

In order to perform this task, the area or officer responsible for Community Relations will require:

- a) **Technical assistance from the company’s institutional or corporate communications division**, as the entity responsible for corporate external communication strategies, including the definition of communication goals, targeted positioning, and focuses of institutional messages.
- b) **Coordination with other company** areas linked to institutional communications, as set forth in Table 1.

2.4.2 Coordination of Communications with Communities

Communication with communities will be part of the overall company communications strategy.

Public relations, marketing, internal communication specialists and others will have a standing coordination forum and shall meet on a regular basis, as needed by the company, with the attendance of the officer responsible for community communications. Thus, fragmentation risks and lack of consistency in communications will be prevented, and synergies between the various areas linked to communication will be facilitated.

2.4.3 Internal Communications

For effective Community Relations Management, the company must engage its workers, for the following reasons:

- a) Workers are trustworthy company spokespersons in their respective scopes of influence. According to Borrini (1992), *“the opinion of a single individual with regards to the company that he/she works for has more weight than the best advertising”*. What workers communicate about the company in their formal or informal interactions with members of the community has high credibility.
- b) The conduct of company workers in public spaces and interaction thereof with stakeholders has great influence on the perception and reputation of the company, and may be determinant in community relations.

Internal Communications is a tool to sensitize, engage and commit company workers to Community Relations Management and may contribute to transform each employee into a company ambassador before the community, provided such worker is loyal and proud to belong to the company. Achieving this commitment is beyond the authorities of Community Relations management. However, the company’s social responsibility to communities contributes to such purpose.

Internal communications to disseminate Community Relations Management shall be coordinated with the officers responsible for internal communications.

TABLE 3 – GENERAL OUTLINE OF INTERNAL COMMUNICATIONS

Contents of Communications	
Broadcasting	<p>The company shall have an internal broadcasting plan to keep workers informed about the following aspects of Community Relations:</p> <ul style="list-style-type: none"> a) Social-environmental impacts from operations on the surroundings, b) Level of compliance with the social-environmental regulatory framework, c) Initiatives and programs of company involvement with communities, d) Voluntary corporate activities.
Sensitization	<p>The company shall carry out internal communication campaigns in order to sensitize workers with regards to the effects of their conduct on community relations and the company's reputation. The company shall seek to encourage commitment from workers to Community Relations management, and responsible conduct in aspects such as:</p> <ul style="list-style-type: none"> a) Respect, courtesy, proper treatment and peaceful social coexistence (e.g., safe driving, avoiding alcohol and drug abuse, care for the environment, cultural and historical heritage, respect for traditions and customs); b) Respect for human rights and native people; c) Participation in community life, cooperation with local initiatives and public welfare campaigns; d) Participation in community organizations; e) Participation in voluntary activities.
Communication supports	
Means of Communications	<p>The company will have written media and supporting material to inform and sensitize internal audiences on a regular basis, such as for example, through:</p> <ul style="list-style-type: none"> a) Corporate Website b) Intranet c) Internal magazine or newsletter d) Bulletin boards e) Internal releases
Direct Communications and messages from leaders	<p>The company shall arrange for regular forums of direct communications between senior management and senior officers and workers, which shall include contents linked to the company's Community Relations policy and management. These instances may be, among others:</p> <ul style="list-style-type: none"> a) Messages from the General Manager, director, superintendent or equivalent in the Business or Project division (at corporate celebrations, annual reports or semi-annual management reports, etc.); b) Face to face meetings.
Feedback Systems	<p>The company shall establish feedback mechanisms, to enable employees to inform their experiences, submit suggestions, recommendations, and make observations in order to contribute to the improvement of Community Relations management. These mechanisms may be:</p> <ul style="list-style-type: none"> a) Opinion polls, b) Site for comments in the Intranet, c) <i>Focus groups.</i>

2.4.4 Crisis Communications

The Community Relations system shall include a plan for managing crisis communications. The crisis management plan is relevant on two accounts:

1. The activities and operations of oil and gas companies involve risks that may affect communities and cause uncertainty and crises.
2. The interaction of the industry with communities may lead to situations of tension and conflict that may evolve into crisis situations.

The industry should be prepared to act swiftly in these scenarios, both in the event of an operating contingency with potential impacts on the environment and the community, and in the event of socio-environmental conflicts.

A crisis communication plan enables the company to face the above situations responsibly, and includes two lines of action:

1. Formal communications, both oral and written, from the company to the stakeholders in the communities.
2. Relations with communication media, because, as Borrini (1992) points out, *“In information society, any crisis is immediately transferred to the field of the mass media and frequently ends up being a communication crisis”*.

The design and implementation of the crisis community communications plan shall be a responsibility shared by the company’s corporate communications area and community relations area.

Table 4 “Recommendations for Crisis Communications” provides guidelines to define procedures for each company.

TABLE 4 – RECOMMENDATIONS FOR CRISIS COMMUNICATIONS

Planning for crises	<ol style="list-style-type: none"> 1. Design a crisis management plan, 2. Keep plan updated, 3. Create a team trained for crisis management, 4. Appoint trustworthy and well-trained spokesmen, 5. Always be prepared for the worst case scenario,
Crisis actions	<ol style="list-style-type: none"> 6. Act swiftly and implement crisis plan; 7. Identify the problem causing the crisis and assess its consequences in the short, medium and long run; 8. Monitor the situation and receive feedback from various sources; 9. Identify the stakeholders involved, understand their behavior, and what they expect from the company; 10. Centralize incoming and outgoing information; 11. Keep all stakeholders informed and answer their inquiries through spokesmen and official channels; 12. Be transparent, consistent, and verify the accuracy of the information provided. 13. Restore trust in the company and demonstrate that the company is in control of the situation, 14. Use all available means to solve the situation generating the crisis; 15. Make an ongoing evaluation of results of the strategy, and adjust said strategy to changing conditions.

2.4.5 Attributes of Communication

Communication seeks differentiation and visibility to demonstrate responsible commitment from the company to the community, supported on three characteristics:

- a) Consistency
- b) Authenticity
- c) Transparency

Furthermore, the attributes of communications with stakeholders, as identified in standard ISO 26000, indicated in Table 5, should be equally taken into account: truthful and accurate, balanced, relevant, timely, comparable, and comprehensive communications.

TABLE 5 – ATTRIBUTES OF COMPANY COMMUNICATIONS TO THE COMMUNITY⁹

<ul style="list-style-type: none"> - Truthful and accurate Information should be objective and accurate, and in sufficient detail in order to be useful and fulfill its purpose. - Balanced Information should not omit relevant data in respect of the negative impacts from projects or company operations. - Relevant (important) Information should include all the relevant data on significant issues. Information will be considered important if it facilitates the understanding and decision making by stakeholders in respect of company operations. - Timely Information should be provided on a timely basis and sufficiently in advance of specific events, thus allowing stakeholders to submit their opinion and observations within established time frames. - Comparable Information should allow stakeholders to compare the company's performance to previous performance or the performance of other companies in the industry. - Comprehensive Information should be available to all relevant stakeholders in a specific issue. In certain cases, a larger area of influence should be considered and communications made to a wider scope of company stakeholders.
--

2.4.6 The process of Communications to Community Stakeholders

The process of company communications to community stakeholders includes five essential components of a continuum circle, as illustrated in Figure 3 "The process of communication".

1. The company (as receiver and broadcaster)
2. The messages
3. Channels or media
4. Community stakeholders (as addressees and as broadcasters)

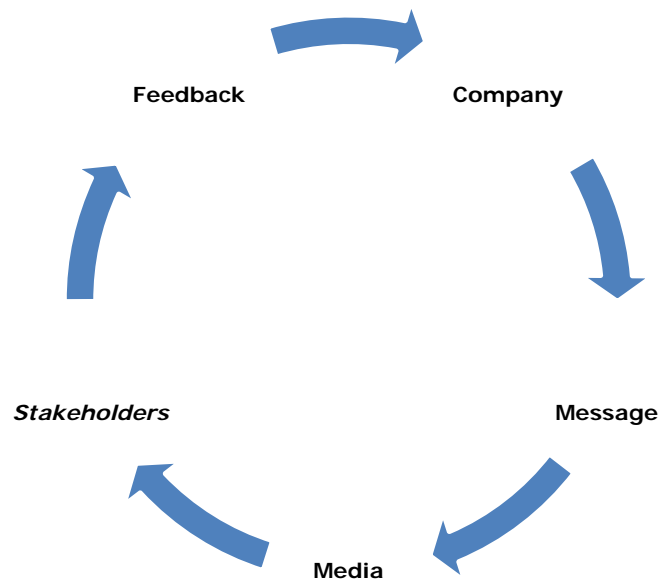
⁹ Adapted from ISO 26000 (WD 4.2, 2008)

5. Feedback and listening.

The most important component in communications is feedback. For the company this is the starting point where it plays the role of listener to its stakeholders before issuing any messages.

Only after listening to the communities and learning about their expectations and interests, can the company plan as to what to communicate, who should do it, and to whom, in order to respond to such expectations and interests. The feedback process should be ongoing in order to ensure that the company is in tune with its stakeholders.

FIGURE 3 – THE COMMUNICATIONS PROCESS



2.4.7 Diagnosis

Prior to the design of a corporate plan for community communications, a diagnosis of the current communication status is required. SWOT analysis is a tool for diagnosing the strengths and weaknesses of company communications, while detecting the opportunities and threats from the environment. (Tool A in the Community Relations Management System).

Analyze your company's communications with communities. Table 6 "SWOT analysis of communications with the community" sets forth examples of the issues to be assessed.

If any of the items set forth in the "Strengths" column is not present in your company, the lack thereof becomes part of the Weaknesses column. For example, if your company lacks a communications plan, this would be considered a weakness.

TABLE 6 – SWOT ANALYSIS OF COMMUNICATIONS WITH THE COMMUNITY

Strengths	Opportunities
<ul style="list-style-type: none"> - There is a plan for communications with the community. - There is a responsible officer in charge of this task and has the required skills. - The communication plan coordinates with the functional areas in charge of communicating with other company audiences. - The communication plan includes: <ul style="list-style-type: none"> a) Communications with stakeholders in the community b) Internal communications c) Crisis communications - The company listens to stakeholders. - The company knows the interests and expectations of stakeholders. - Communications respond to expectations and interests of audiences. - The design of company community engagement initiatives or social investment includes a communication plan (e.g., what, to whom, how and when to communicate, when to evaluate). - Information is ranked and processed according to the various audiences. - The company uses comprehensible language, adjusted to the sensitivity and interests of the various audiences. - The company's communications are constant and timely. - The company has qualified spokespersons. - The company is very thorough and careful in managing communications, to avoid communications being perceived as image laundering. 	<ul style="list-style-type: none"> - Open and transparent communication creates trust and loyalty. It allows building "trust funds" and reputational capital. - Direct communications positively influence the attitudes and conduct of stakeholders. - The more relevant the information flows are, the higher the attention that stakeholders will pay to company communications. - Communication reduces the impact of the common practice of circulation of "informal information" and rumors. - Proactive communication has a higher impact and credibility than reactive responses. - Opinion leaders are attentive, but do not feel fully informed about the companies' CSR activities. While they think that this information is reliable and important, they consider that external verifications contribute to increase its reliability¹⁰.
Weaknesses	Threats
<ul style="list-style-type: none"> - The company faces internal resistance to information transparency and disclosure of its socio-environmental management. (<i>"Less mature people resist open communication, even if necessary for a sound interdependency and productive integration"</i>.)¹¹ - The Board of Directors or Senior Management claims that communications are opposed to the patterns of sobriety of corporate culture. - Fear that visibility will cause a social claim that the company will be unable to meet. - Communication is neither balanced nor truthful. 	<ul style="list-style-type: none"> - An erroneous interpretation of the intention underlying communications is made, and such communication is perceived as an action of public relations or image laundering.

¹⁰ According to the APCO Worldwide Global CSR Survey, 2004 – a survey on the most active and informed social segments in ten European countries, using APCO's Opinion Elite Online Research Panel – two out of three opinion leaders think that direct corporate communication of SR activities is reliable. 91% pointed out that reliability increases as information is verified by NGOs and local Governments.

¹¹ PINEDO, Victor, op.cit.

2.5 DESIGNING A PLAN FOR COMMUNITY COMMUNICATION

The design of a plan for communicating with communities involves coordinating simultaneous and parallel communication actions in a specific time frame. Planning includes ongoing and coordinated communication actions, as well as the means and instruments for performance thereof at three different levels:

- 1) **Information and construction of an agenda:** Production and broadcasting of news and contents; interaction with the broadcasting media; coordination of spaces for participation and dialogue; and construction of public opinion.
- 2) **Citizen education:** Construction of citizenship and social cohesion; setting and reinforcement of institutional relations; and creation and feeding of alliances and organization networks.
- 3) **Citizen campaigns:** promotion of culture; generation of citizen and participative actions; agreement on inter-institutional objectives; and, implementation of community sensitization and education campaigns.

This Manual is focused on the first type of communication actions.

Planning of communication actions includes several stages, which should respond to specific questions referring to fundamental aspects of the process, as set forth in Table 7.

TABLE 7 – PLANNING OF COMMUNICATION ACTIONS WITH COMMUNITIES

	QUESTION	ACTION
1	What are the expectations and interests of my stakeholders in the community?	Listen
2	Why communicate?	Define the purpose of communicating
3	Who communicates?	Define company spokespersons
4	What to communicate?	Prepare messages and contents of communications
5	Who to communicate with?	Identify stakeholders – addressees
6	How to communicate?	Select media and support for communications Define required resources
7	When to communicate?	Establish a timetable of communication actions
8	Where to communicate?	Determine the territorial or virtual scope of communications
9	How will the performance of goals be measured?	Define feedback and assessment indicators and mechanisms

2.5.1 Step 1. Listen

The capacity to listen is one of the most important skills of human beings and organizations. Depending on this listening skill, individuals and organizations build relations, interpret life, project themselves to the future, define their capacity to learn, and ensure effectiveness in their actions

(Echeverria, 2005).

All communication processes are based on the capacity to listen. If our addressees fail to understand what we say, if they misinterpret or pay no attention to what we say, because they are not interested, our message will lose effectiveness.

Listening is more than hearing. For listening, we need to interpret what the other is saying. The words of the other start a complex interpretative process, where the listener connects senses, assesses them, and anticipates conclusions. This interpretation may be an approximation of what the broadcaster seeks to express, but there will always be a distance, a gap.

In order to reduce the gap in communications, the company may use some basic tools:

a) Verifying what has been heard

Verifying what has been heard is not only relevant when we are not sure if we understand, but equally when we are sure we understand. The company may have the listening process verified, both as broadcaster and as addressee.

- As broadcaster: the company may ask if the message was understood and how.
- As addressee: the company may ask the broadcaster if the message was understood and how.

b) Sharing concerns

When a broadcaster submits suggestions or petitions, he/she does not always explain the concerns behind them. In this case, the company, as listener, will not have the clues for interpretation. In order to reduce the gap, it will be necessary to ask about the aspects underlying the concern.

c) Inquiring

Inquiry is another powerful tool to obtain more information from the broadcaster/ spokesperson in order to polish, complete or correct what we have heard. Thus we are requesting that wider information be provided to us in order to reduce the gap.

2.5.2 Step 2. Why Communicate: Purpose of Communications

A general objective will be defined for the communication plan and the specific targets of each communication action. A core objective would be to respond to the interests and expectations of stakeholders.

2.5.3 Step 3. Who Communicates: the Company as Broadcaster and its Spokespersons

a) **Community Relations Unit**

The responsibility of this unit is to plan and execute the company's formal communication plans with communities. For that, the company shall procure the specialized professional skills required to perform such task.

b) **Company Leaders**

Company leaders have a significant role in the process of communicating with communities, in the sensitization and alignment of both internal audiences and external stakeholders. The community values the opportunities to interact with the senior officers of the company, to dialogue with them in order to form an opinion of the company. For example, the trustworthiness of a General Manager may impact the reputation of a company in up to 50% (Gaines-Ross, 2003), but such trustworthiness is gained only by investing time in building trust relations with stakeholders.

c) **Workers**

Communication with stakeholders is a shared responsibility of all company members and representatives. Each worker is an informal spokesperson in his/her own reference group. Therefore, the company shall create the internal communication mechanisms to adjust the messages of its entire staff.

d) **Spokespersons**

The company shall set procedures to define who in the company is authorized and qualified to formally represent the company before the communities, to inform, respond to inquiries, and undertake public commitments on behalf thereof.

Official spokespersons shall be qualified to communicate with different stakeholders. The company should provide training to the executive officers who publicly represent the company and who are authorized to submit official statements and speak for the company. Qualifications required are, among others, management of relations with the media (*media training*), and mediation and solution of conflicts.

2.5.4 Step 4. Define Messages and Contents of Communications

The preparation of messages and contents shall be consistent and clear, in order to avoid any misunderstanding thereof by the addressees.

In order to be reliable, formal messages issued by the company, both oral and written, shall be consistent with all the other elements of corporate identity. Identity is *"the set of symbols used by an organization to identify itself*

*before various groups of people"*¹², and includes four factors: the company's behavior, culture, visual identity, and communication.

The contents of company communications with the community refer to aspects such as:

- a) Company's mission, vision, and values;
- b) Policies and procedures;

¹² DOWLING, Graham. Corporate Reputation: strategies for developing the corporate brand. London, Kogan Page. 1994

- c) Company strategy and investment plans;
- d) New exploration projects, seismic assessments and drilling campaigns, expansion of industrial plants, new facilities, construction of pipelines and roadways, changes in production processes, and impacts thereof;
- e) Triple bottom-line performance
- f) Social-environmental management
- g) Potential risks to people and the environment associated to operations
- h) Operating excellence and security
- i) Prevention measures and contingency plans
- j) Environmental and social impact mitigation, repair, and compensation mechanisms
- k) Emissions, residues, and solid waste and other sanitary and environmental parameters
- l) Storage and transportation of hazardous materials
- m) Significant accidents and spillages
- n) Programs and initiatives of social investment and support to communities: objectives, expected results, and actually achieved impacts
- o) Mechanisms and spaces for citizen participation and social dialogue
- p) Alliances with civil organizations, NGOs, non profit organizations, local governments
- q) Participation in networks
- r) External certifications and verifications
- s) Adhesion to codes, principles, and voluntary standards
- t) Participation in external socio-environmental initiatives
- u) Public acknowledgements obtained

Communication of these contents shall have a higher impact if there are testimonies thereof, and if endorsed by opinion leaders and independent organizations.

2.5.5 Step 5. Who to Communicate to: Addressees

When planning communications with communities, the company shall take the social and cultural characteristics of the receivers into account. The contents and language used, as well as the format, design and presentation of the material should adjust to the needs and capabilities of addressees.

Audiences who receive communications regularly do not belong to a single category, but are often linked to the company from their various roles. A neighbour of a refinery may at the same time be a client of the company and obtain information on the company through a close relative who works at the company or is a supplier thereof.

The company is therefore required to be highly consistent in terms of its communications and messages, acknowledging that such messages entail not only the explicit and formal speeches deliberately given

by its representatives, but all the signals issued thereby that may be received by the surrounding audiences.

From a sociological standpoint, and based on the type of power relationship, a company's audiences are ranked in four large groups, as shown in Table 8¹³:

1) Decision-making audiences

Audiences, *"the authorization or agreement of which would permit carrying out the organizational activities"*. An example is Government agencies which regulate and authorize the development of specific activities.

2) Consultation audiences

Audiences which are consulted or polled by the organization before acting. For example, shareholders, unions, local authorities.

3) Behavioral audiences

Audiences whose acts may hold back or favor the company's actions (e.g. consumers, civil society organizations, NGOs).

4) Opinion audiences

Audiences influencing the organization by the simple statement of judgment or points of view. They drag along followers, to justify actions and form attitudes: teachers, politicians, successful people, and media leaders.

This classification of audiences may be used to segment the various stakeholders of the company in the communities.

Message development shall take into account the possible risks and opportunities associated to the characteristics and perceptions of each reference group in order to determine what information is required by these groups to attain a balanced vision of the company.

Regular efforts of communication with communities shall focus specifically on the inhabitants and base groups who are neighbours of the company's facilities and plants.

TABLE 8 – SOCIOLOGICAL VISION OF AUDIENCES ACCORDING TO THE TYPE OF POWER RELATIONSHIP

Decision-making audiences	Consultation audiences	Behavioral audiences	Opinion audiences
Audiences whose authorization or agreement allows companies to carry out their projects and operations (e.g. government and regulatory agencies, credit institutions) which regulate and/or authorize essential procedures for the development of specific activities.	Audiences which must be consulted or polled by the company before acting (e.g. shareholders, unions, clients, adjacent communities).	Audiences whose action may hold back or favor the company's activities (e.g. consumers, civil society organizations, unions).	Audiences which influence the company by the simple statement of judgment or points of view. They drag followers to justify their actions and create perceptions or attitudes (e.g. teachers, political and spiritual leaders, sportsmen, journalists, and other media figures).

¹³ PORTO SIMOES, Roberto. "Public Relations, Political Function". Santiago, Ateneo. 1994

The communication plan shall specifically consider audiences such as:

- a) Local government representatives: governors, mayors, councilmen, heads of public bureaus;
- b) Other local authorities: directors of educational facilities, health, fire-fighting entities, charity organizations, spiritual leaders, etc.;
- c) Directors of community organizations: residents' associations, sports clubs, youth centers, feminine organizations, etc.;
- d) Corporate organizations: Chambers of commerce, trade associations, etc.;
- e) Opinion leaders: personalities in the academic, artistic, cultural, sports, political, etc. world;
- f) Communications media representatives.

2.5.6 Step 6. How to Communicate: Media, Support and Resources

Company Communications with audiences in communities may be established through various channels, including direct and actual contact, use of media and institutional support, broadcasting media, and various business communication vehicles.

Furthermore, available resources shall be defined; taking into account, in addition to the budget, the human resources and skills required, and the necessary logistic support.

2.5.6.1 Direct Communication

The most essential level of communication between the company and the community is the formal and direct contact between representatives of both parties. Interpersonal relations are the primary source of exchange and flow of information required to become acquainted and

to establish a framework of minimum trust to initiate dialogue, which may enable the creation of stable alliances in the future.

According to Pinedo (2004), before using state-of-the-art communication means, the company needs to have expertise in pre-digital communication, *"...starting from the most elementary level: two people exchanging information in face to face conversations. As from that point, the organization may design structures, and growingly complex communication formats and means, such as extended meetings, presentations, teleconferences, mass media and exchange of digital information."*

For the purposes of this direct communication, the following instances are effective:

- a) **Bipartite or tripartite work groups** – where local government representatives are also included. In such work groups, the company shall clarify any information that may be relevant to the community. These meetings shall be held on a regular basis and be legitimized by the most relevant role-players in the community. Furthermore, consultation mechanisms shall be in place, participation shall be encouraged and local role-players empowered for the community to actually feel represented and heard.
- b) **Information meetings** with the community, generating a mouth-to-mouth effect that may contribute to disseminate corporate messages and strengthen the communication task.

- c) **Telephone hot line** for community consultations and concerns, as a valuable option.

2.5.6.2 Institutional Media

Companies may strengthen communications by the use of institutional media and various audiovisual and written supports, such as:

- a) Institutional magazine,
- b) Printed and electronic bulletins,
- c) Web pages,
- d) Pamphlets, brochures, publications, work documents,
- e) Institutional videos,
- f) Sustainability or CSR reports.

The format and production characteristics of the various pieces used by the company as support for its communications plan with the community shall be subject to a thorough production process aimed at consistency. In general, attractive, simple, and clear, while austere and sober formats, in objective language and with balanced information are preferred. If the audience perceives any advertising intention, such support loses credibility.

2.5.6.3 Cause Marketing and Advertising

Many companies provide special budgets for advertising campaigns and actions to reinforce the communication strategy with the community. Such advertising campaigns and actions include:

- a) Cause Marketing,
- b) Ads and advertising inserts in environmental and social programs,
- c) Sponsorship to community events.

Commercial communications shall be subject to close scrutiny in order to avoid creating the perception of image laundering.

2.5.6.4 Media

Media are intermediaries between company messages and public opinion. Their importance lies in the following:

- a) In general, broadcasting media have credibility, create opinion, and reinforce attitudes and beliefs of audiences or stakeholders.
- b) Many audiences form an impression of companies through the broadcasting of messages that the media issues and may have interfered with in some way. In virtual society, the media constitutes the "public space" to come in contact with reality; a second hand reality that has been filtered and selected according to the media's editorial criteria and its agenda.

- c) Negative events and crisis situations have higher probability of being covered by mass media; given the logic of the journalist information market and patterns of media consumption (yellow or red press sells more).

Broadcasting media may be classified according to various criteria: geographic scope and coverage, specialization and format, as illustrated in Table 9.

TABLE 9 – CLASSIFICATION OF MEDIA

Criteria	Type of Media
Per geographic scope, coverage or penetration	<ul style="list-style-type: none"> - Nationwide media - Regional media - Local media - Community media - Restricted circulation media
Mass or Specialized	<ul style="list-style-type: none"> - Mass media - Specialized media <ul style="list-style-type: none"> a) Current political events press b) Economic press c) Cultural media d) Sports press e) Women's press
Per channel or format	<ul style="list-style-type: none"> - Press <ul style="list-style-type: none"> a) Newspapers: morning and afternoon b) Magazines and printed material c) Bulletins, brochures, gazettes - Audiovisual media <ul style="list-style-type: none"> a) Open TV channels: news spaces, interviews, special programs b) Cable or satellite TV c) Radio: news, radio forums, interviews, news releases d) Community radio - Electronic means <ul style="list-style-type: none"> a) Electronic bulletins b) Mailing c) Websites d) Blogs

TABLE 10 – RECOMMENDATIONS FOR COMPANY RELATIONS WITH LOCAL COMMUNICATION MEDIA

- ✓ Prepare a map of communication media of local incidence, identifying territorial scope, penetration, editorial policy, thematic coverage, and relevance for the community. Find out which of these media have greater influence on the communities.
- ✓ Identify directors, editors, and journalists of sections that interest the company the most.
- ✓ Establish formal relations with media professionals.
- ✓ Provide the media, regularly and proactively, with interesting information about the company and timely responses to their demands.
- ✓ Do not press the media. Do not demand publication of specific contents, even if the company shall consider that such contents are highly relevant, but identify news that may be important to audiences and present them in an attractive manner to capture the journalistic interest of the media.
- ✓ Invite the press to visit and learn about the company's projects, operations, activities, and facilities.
- ✓ Contribute to training and advanced education of press professionals.

2.5.7 Step 7. When to Communicate

An axiom of corporate communications is the need to always communicate, on a regular basis, because organizations and individuals live in a world that depends on instantaneous information, available in real time, anywhere, for almost any decision-making process.

The possibility of timely access to the information required for the best possible decision-making has a strong effect on the expectations of individuals, who value a company meets that need. As Pinedo (2004) points out *"...dynamic and competitive companies – companies which may detect the tsunami and take action in advance – are attaining the capacity to instantaneously make relevant information available to its senior officers and stakeholders. As any living organism, a dynamic organization is capable of quickly assessing the threats and opportunities, so as to make the proper decisions and implement corrective actions that will enable the company to compete successfully"*.

Keeping the above in mind, planning of communications takes the following criteria and temporal horizons into account:

- a) Regular communications: annual, semi-annual, monthly, weekly, daily, etc.
- b) Communications subject to context: as and when needed, occasional, in crisis situations.

2.5.8 Step 8. Where to Communicate: Scope of

The following planning criteria are used in terms of the geographic or territorial coverage that the company aims to achieve through communications:

- a) Global scope
- b) National scope
- c) Regional scope
- d) Local scope

2.5.9 Step 9. Feedback and Evaluation

The communications plan shall include formal feedback mechanisms for establishing how the various audiences receive and understand the information that the company submits and how such communications affect their perception of the company.

As there is no communication without feedback, it is necessary to keep fluid paths for dialogue that will allow, on the one hand, to find out how the communication actions of a given company are received by the various audiences, and on the other hand, to learn how such expectations are shifting. Equally, it is necessary to regularly update the stakeholder map.

Knowing the various expectations does not translate into an obligation for the company to provide a solution to all of them, but it is an act of openness, transparency, and dialogue that will allow developing adequate responses.

There are various methodologies and tools to learn about the perceptions, attitudes, and expectations of *stakeholders* with regards to the company and to obtain information for planning of involvement and communication actions.

2.5.9.1 Feedback Mechanisms

The feedback mechanisms that the company may use with the community include the following:

- a) *Focus groups*
- b) Regular procedures to collect opinions and suggestions
- c) Mechanisms for making claims and stating concerns
- d) Public consultations
- e) Polls
- f) Public Assistance Office

2.5.9.2 Evaluation Mechanisms

The company may use the following evaluation mechanisms to assess its communication plans and actions:

- a) Analysis of media coverage
- b) Follow-up of virtual media, blogs, and browsers informing about the company
- c) Analysis of community inquiries received by the company
- d) Opinion of experts, teachers, and leaders of opinion in the community
- e) Verification of understanding of relevant issues by the various role-players
- f) Drawing power
- g) Opinion polls

- h) *Benchmarking* or comparative analysis with other companies in this sector and/or which operate in the zone.

2.6 GENERAL RECOMMENDATIONS

Table 11, "Communications with Stakeholders", summarizes some recommendations for effective communication with stakeholders, in the context of the good corporate citizen policy proposed by the English organization, Business in The Community (Grayson &

Hodges, 2002).

In summary, as pointed out by Austin (1998) *"...in cooperation, silence is a cancer. The cure is communication. Thus, communicate, communicate, and communicate, formally, informally, in a comprehensive and thorough manner. When people start to say "this is enough!" do it once more and perhaps it will be. It is likely that you will have to learn to use "the foreign language" of your partners to ensure understanding. And then, move from words to actions. It is through actions that one can support the words that in turn create trust and trust is the intangible glue that keeps alliances united¹⁴".*

TABLE 11 – COMMUNICATION WITH STAKEHOLDERS

Two way communication	Remember	Practice	Bear in mind
<ul style="list-style-type: none"> Establish dialogue with a wide scope of stakeholders and on a more diverse range of subjects Consider using interactive communication Learn to listen and not just talk Prepare to change your policies and practices as a result of dialogue. 	<ul style="list-style-type: none"> Convince your skeptical colleagues that becoming involved with stakeholders is valuable and necessary Be brave Make sure that the communications team understands and has the required information available Keep all senior officers updated Create goodwill capital among external stakeholders Provide feedback to stakeholders. Make sure they know that you have listened and acted consistently with what you learned. 	<ul style="list-style-type: none"> Investigate: find the best communication channels for each stakeholder Realism: do not brag too mucho about the company's accomplishments Relevance: Ensure that the core of communications is relevant to the concerns of targeted audiences Credibility: External verification of management indicators will improve reliability of presented data Repetition: Facts don't speak for themselves; key messages need to be constantly repeated. 	<ul style="list-style-type: none"> Some, if not all the emerging aspects of management (and perhaps your business) may be unknown to your stakeholders Parameters that measure your company's performance are difficult to understand and may be unknown Managers may have reasonable fears of being in the line of fire if the company raises its head Relations with stakeholders may be seen as a distraction and an abdication of leadership. Seek early achievements that generate trust and internal support.

¹⁴ AUSTIN, James E. "Partnering for Progress. Harvard Business School, Social Enterprise Series: Work paper N° 5, 1998 .Austin has dedicated many years to study the factors for success of alliances between companies and social organizations.

3.0 SUSTAINABILITY REPORTS AND COMMUNITY RELATIONS

3.1 INTRODUCTION

3.1.1 Purpose

The purpose of this Chapter is to guide the oil and natural gas industry in Latin America and the Caribbean in measuring and reporting the impacts of company activities on the communities, based on the Global Reporting Initiative (GRI) methodology and disclosure thereof to stakeholders through sustainability reports.

3.1.2 Contents

This guide encompasses the most significant issues that companies should take into account to develop the contents on community relations to be included in sustainability reports.

- a) Reporting principles
- b) Industry reporting methodologies at the global, regional, and sector-specific level
- c) Indicator protocols linked to interaction between companies and communities
- d) Definition of report scope and contents and identification of issues and indicators that are material or relevant to local stakeholders
- e) Involvement of community stakeholders in the reporting process
- f) Guidelines to report results of community relations management
- g) Guidelines for survey, analysis and verification of data
- h) Community feedback processes.

3.1.3 Definition

A sustainability report is a management tool that enables organizations to measure their impact in three sustainable development dimensions and report to society and its stakeholders, on:

- a) Financial performance
- b) Social performance
- c) Environmental performance

It is based on the concept of *Triple Bottom Line* (Elkington, 1994), which expands the traditional concept of rendering of accounts (reporting) solely in the sphere of economic value creation, to also include the aggregation or loss of social and environmental value. This approach promotes integral reporting from organizations, covering all the areas of activity and influence thereof.

Equally known as Social Responsibility Report, the Sustainability Report is a formal and systematized voluntary report on the economic, social and environmental aspects of an organization's activities, and is communicated to stakeholders with pre-established regularity (Gray and others, 2001).

3.1.4 Background Information

Sustainability Reports originate in the business sector as a response to a growing demand from stakeholders for more transparency on the economic, environmental, and social impacts of companies.

The first reports of this type appeared by the end of the 80's when certain multinational companies started to include environmental, health, and security issues, and contributions to society in their annual financial reports.

These publications became standardized under global standards in 1999 when standard AA 1000 on AccountAbility and the first guidelines of the Global Reporting Initiative were created.

The practice of annually or semi-annually publishing a sustainability report has extended as the most important means for companies to communicate to society its triple bottom line, complying with the social expectation of *accountability*. At present, thousands of leading companies at a global and national level, of various sizes and in different sectors, have adopted the practice of preparing and submitting Social Responsibility or Sustainability Reports.

The addressees of these reports are the company's stakeholders, such as communities, employees, clients, governments, civil society organizations, and investors, among others.

3.1.4.1 Formats

At first, most of these reports were produced in the form of printed brochures. At present, the electronic formats are being increasingly used, such as for example, publication of files in the Web and distribution through supports such as CD Rom's or *USB drives*. Many organizations use a

combination of printed and electronic formats.

The main modalities to present the contents on the company's financial and social-environmental performance are the following:

- 1) Incorporating information on social-environmental performance as a section of or appendix to the company's annual financial report.
- 2) Publishing a Social Responsibility or Sustainability Report in parallel to the annual financial report, and jointly or separately distributing such reports.
- 3) Integrating financial, environmental and social contents, publishing one single consolidated document which complies with legal requirements on financial reports, and at the same time, allows accountability to other company stakeholders.

3.1.4.2 Trends

Although the publication of sustainability reports started as a voluntary company practice and continues to be a prerogative of its owners or administration, a trend has been observed in several countries to introduce regulations and legal incentives to promote a legal reporting requirement . In Latin America, the first legislative initiative of this type occurred in Argentina by the end of 2007, with the approval of the Federal Capital BRAC Act, which provides the requirement for large companies domiciled in that jurisdiction to publish non-financial reports on social responsibility, as detailed in the Regulatory Framework Application Manual.

The practice of publishing sustainability reports has expanded to public institutions and non-government organizations.

3.1.5 Advantages of Sustainability Reports

The publication of Sustainability Reports is a practice that provides several advantages to all parties.

On one hand, the company builds its reputational capital, improves relations with stakeholders, extends the horizon for risk analysis, creates spaces for organizational learning, and obtains information to improve sustainability management.

On the other hand, stakeholders may access comprehensive, balanced, and relevant information on the company's impacts, enabling them to make better decisions in respect of their interaction with the company.

Table 12 summarizes the advantages of preparing and disclosing a sustainability report.

TABLE 12 – ADVANTAGES OF ISSUING SUSTAINABILITY REPORTS

Advantages for the company	Strengthening of company reputation	Companies publishing sustainability reports strengthen their reputation, and are considered to have some of the following attributes: <ul style="list-style-type: none"> - leadership - innovation - transparency - responsibility - commitment - capacity to respond
	Risk management	a) Diagnosis of breaches in compliance with laws and regulations b) Monitoring of compliance with codes, conduct guidelines and voluntary initiatives that the company has adhered to c) Follow-up of public commitments made by the company to its stakeholders d) Risk analysis linked to the company's sustainability e) Greater knowledge of stakeholders and their expectations.
	Opportunities for ongoing improvement of the company's Social Responsibility	The processes of preparing sustainability reports provide the following opportunities to improve the company's sustainability management: <ul style="list-style-type: none"> a) During report preparation, the interaction between those

	or sustainability management	<p>operating areas in the company that are linked to sustainability issues favors organizational learning, creation of a sharing culture, and standardization of processes and indicators.</p> <p>b) The report sets an environmental baseline that allows for comparison of the company's performance in a time line and to other companies in this sector.</p> <p>c) It provides a framework analysis of how the company influences and is influenced by its stakeholders and their expectations.</p> <p>d) It requires systematization and/or updating of the stakeholder map and their relations with the company.</p>
Advantages for stakeholders	Access to company information	<p>a) Sustainability policies, principles, and strategies</p> <p>b) Practices of including stakeholders</p> <p>c) Economic, environmental, and social impacts</p> <p>d) Initiatives, projects and commitments to society</p> <p>e) Sustainability management systems and indicators</p>
	More informed decisions	Decisions based on risks and opportunities from company activities for stakeholders.

3.2 PRINCIPLES FOR PREPARING SUSTAINABILITY REPORTS

Global Reporting Initiative GRI/G3, a methodological guide for preparing sustainability reports, sets forth a total of ten principles guiding two core aspects of the reporting process, four principles for the definition of contents, and six principles for quality assurance of the information submitted.

GROUPS OF PRINCIPLES GRI-G3

- | | |
|---|-----------------|
| 1. Principles to define contents (4) | What to report? |
| 2. Principles to assure information quality (6) | How to report? |

The general description of these principles is found in Table 13. The Guide GRI/G3¹⁵ provides a detailed explanation of each of these principles, as well as a list of questions that enable the company to check the level of compliance with each principle.

¹⁵ Guide GRI/G3 is available in Spanish in the following Internet address:
www.globalreporting.org/NR/rdonlyres/415F297B-5289-4160-8B6C-7CC034D5BE52/0/G3_GuidelinesESP.pdf

TABLE 13 – GRI PRINCIPLES FOR PREPARING SUSTAINABILITY REPORTS

Principles for defining report content	Principles for ensuring report quality
<ol style="list-style-type: none"> Materiality: Information shall cover those issues and indicators that reflect the company's significant social, environmental, and economic impacts, or that may have a substantial influence on stakeholder assessments and decisions. Stakeholder Inclusiveness: The report shall identify stakeholders and describe the company's response to their reasonable expectations and interests. Sustainability Context: The report shall state how the company contributes or intends to contribute to the improvement or impairment of economic, environmental, and social conditions at the local, regional or global level. Completeness: Coverage and definition of indicators shall reflect the significant social, economic, and environmental impacts in order to enable stakeholders to assess the company's performance in the reported period. 	<ol style="list-style-type: none"> Balance: The report shall reflect both the positive and negative aspects of the company's performance in order to make a reasonable evaluation of the general performance thereof. Comparability: The report shall consistently select, collect and disclose information. Information shall be presented so as to allow stakeholders to analyze the changes experienced by the company, as well as other organizations. Accuracy: Information shall be accurate and in sufficient detail, for the various stakeholders of the organization to evaluate the company's performance. Timeliness: Information shall be submitted on a timely and regular basis. Clarity: Information shall be presented in an understandable and accessible manner for stakeholders who shall use the report. Reliability: Information and procedures followed in preparing the report shall be collected, recorded, edited, analyzed and presented in a manner such as to be examined for quality and reality thereof.

3.3 METHODOLOGIES FOR THE PREPARATION OF SUSTAINABILITY REPORTS

The leading standard worldwide for preparing sustainability reports is the methodological framework developed by the Global Reporting Initiative (GRI).

Oil and natural gas companies in Latin America and the Caribbean shall preferably use the GRI methodology for preparing their sustainability reports. However, and considering the flexibility of this methodological framework, the industry may include aspects of other methodologies

developed for global, national and/or sector-specific application, that may supplement the information and indicators suggested by GRI.

The main methodologies for preparing sustainability reports applicable to the hydrocarbon industry are indicated in Table 14.

TABLE 14 – METHODOLOGIES FOR PREPARING SUSTAINABILITY REPORTS

GLOBAL METHODOLOGIES	<ol style="list-style-type: none"> Global Reporting Initiative, GRI G3 AA 1000 Communications on Progress (COP) of the United Nations Global Compact
REGIONAL METHODOLOGIES	<ol style="list-style-type: none"> Ethos Indicators of Social Responsibility

SECTOR-SPECIFIC
METHODOLOGIES OF THE
OIL AND GAS INDUSTRY

5. Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, IPIECA and API¹⁶
6. GRI sector-specific supplement for the Hydrocarbon Industry (in development)

3.3.1 Global Reporting Initiative GRI-G3

The Global Reporting Initiative (GRI) is a non-profit organization, with head office in Holland, *multistakeholder* and independent, whose mission is to develop and disseminate guidelines for the preparation of sustainability reports.

It was created in 1997 as an initiative of the United Nations Environment Program (UNEP) and the Coalition for Environmentally Responsible Economies (CERES) to improve the quality, provide consistency and standardize the recently born practice of "reporting". Only in 2002 did the GRI acquire legal status.

Participants in this organization are representatives of human rights, labor rights, environmental, and academic organizations, accountants, investors, and multinational corporations.

The Global Reporting Initiative has developed three issues of the "Guide for Preparation of a Sustainability Report". The first was published in 2000, the second in 2002, and the third which is currently in effect and is known as GRI G3, in 2006.

The methodological framework GRI G3 is based on a global, participative and consensus-seeking approach among all stakeholders. Its guidelines are contained in the following supplementary documents:

- a) Guide for the preparation of Sustainability Reports (GRI/G3)
- b) Protocols of indicators
- c) Sector-specific supplements.

These documents define the structure of sustainability reports, provide orientations and guidelines for determining the contents thereof, and provide specific indicators for each area of performance.

Given that the framework of application of GRI is flexible, all of its elements may be adjusted to the company's characteristics, the sector where it operates, level of maturity of the implementation of its strategy and sustainability practices, and the conditions of its context.

Nevertheless, companies should comply with the minimum requirements set forth to qualify at some levels of application defined by the GRI for report evaluation or self-assessment.

¹⁶ The International Petroleum Industry Environmental Conservation Association (IPIECA) & American Petroleum Institute (API): "Oil and Gas Industry Guidance on Voluntary Sustainability Reporting. Using Environmental, Health&Safety, Social and Economic Performance Indicators", 2005.

3.3.1.1 Structure of Sustainability Reports

GRI reports are typically structured as follows:

1. Description of the organization's sustainable development strategy. It includes a letter of presentation from the highest authority in the company.
2. Company profile
3. Report profile.
4. Corporate governance of the organization, commitments and participation of stakeholders.
5. Triple bottom-line performance according to protocol of indicators, in three dimensions:
 - a) Economic performance
 - b) Environmental performance
 - c) Social performance

3.3.1.2 Indicators of the Contents of Sustainability Reports

The initial chapters of a GRI report refer to the "Basic contents"¹⁷ that the company shall address and state in four general areas:

1. Basic contents on the sustainability strategy
2. Basic contents on the company's profile
3. Basic contents on the report's parameters
4. Basic contents on company corporate governance , its commitments and stakeholder engagement

Each one of these four content areas is sub-divided into specific aspects, as illustrated in Table 15 "Basic contents of a GRI report".

¹⁷ The term used in the original version in English is "Standard Disclosures".

TABLE 15 – BASIC CONTENTS OF A GRI REPORT

Chapter		Aspect	Identification of contents	Total Indicators	Total Indicators in Chapter
1	Sustainability Strategy	Strategy and Analysis	1.1	1	1
		Impacts, Risks, and Opportunities	1.2	1	
2	Company Profile		2.1 – 2.10	10	10
3	Report Parameters	Report profile	3.1 – 3.4	4	3
		Scope and Coverage	3.5 – 3.11	7	
		Index of GRI Contents	3.12	1	
		Verification	3.13	1	
4	Corporate governance, commitments, and participation of stakeholders	Governance	4.1 – 4.0		4
		Commitments to external initiatives	4.11 – 4.13	3	
		Participation of stakeholders	4.14 – 4.17	4	
Total Indicators of contents					42

The development of contents shall consider various company external and internal factors , according to the orientations specified in Table 16. The description of each of the content indicators is included in the Protocols of Indicators Section of this Manual.

TABLE 16 - ORIENTATIONS FOR DEFINITION OF CONTENTS

External factors	Internal factors
<ul style="list-style-type: none"> - Interests, main performance aspects, and indicators raised by stakeholders. - Main challenges to the sector. - Laws, regulations, international agreements or relevant voluntary agreements with strategic importance for the company and its stakeholders. - Risks, impacts and opportunities regarding sustainability. 	<ul style="list-style-type: none"> - Company principles and values - Policies - Strategies - Management systems - Plans, objectives, and goals - Responsible managers - Sensitization, training and internal communication activities.

3.3.2 Assurance Standard, Accountability 1000 (AA1000)

The assurance standard AA1000 is a British standard to evaluate, verify, and ensure the quality and reliability of a sustainability report, as well as the processes, systems and qualifications required for the preparation thereof.

This standard provides guidelines on the key elements in the assurance process, considering current trends in the field of financial securement, environmental, quality, and sustainability management, and social responsibility.

This standard focuses on the following:

- a) Characteristics of the company's relations with its stakeholders,
- b) Company's manner of interpreting results and impacts,
- c) Company's manner of integrating its stakeholders' points of view into management decisions,
- d) Company's way of responding to the demands and expectations of stakeholders,
- e) Way in which the company considers the report preparation as part of an ongoing commitment to its stakeholders.

3.3.3 Communications of Progress (COP) of the United Nations Global Compact

An explicit commitment from companies adhering to the United Nations Global Compact is to produce and to submit a Communication of Progress, COP on an annual basis.

A COP is a communication from the company to its stakeholders with regards to the progress achieved in the implementation of the ten Global Compact principles in its business activities, and initiatives undertaken in alliance with third parties to support achievement of the United

Nations Millennium Development Goals (MDG).

The United Nations Global Compact provides practical Tools for conducting the preparation, submission, and publication of a COP and these are available on the organization's web page¹⁸.

3.3.3.1 Contents of the COP

Although there is no standard format to present the contents of a COP, the Global Compact requires that its members meet three basic requirements:

- 1) A statement of sustained commitment from the company's senior management to Global Compact,
- 2) A description of the company's actual practices to implement the ten principles of Global Compact in its business activities,
- 3) Measurement of impacts and results.

¹⁸ United Nations Global Pact: "Communication on Progress. Creating, sharing and posting a COP", 2007.

Global Compact created a program in 2004 to distinguish the most outstanding practices of Communication of Progress, and acknowledge such practices as a “noteworthy COP”. These need to meet at least the three criteria set out above.

3.3.3.2 Requirements for Posting COPs

Global Compact further sets the following formal requirements for posting COPs:

- a) Broadcasting of the COP to stakeholders through a printed or electronic format report published in the company Website.
- b) Publication of the COP in the United Nations Global Compact web page.

3.3.4 Framework for integration of the GRI methodology and COPs of the Global Compact

The increase in adherence to the Global Compact, and application of the GRI methodology to prepare sustainability reports encouraged both organizations to develop a tool to report the COPs through the application of the GRI methodology given the supplementary nature of the respective missions and focuses.

The guide, *“Establishing the connection. Guide for the preparation of Sustainability Reports of the GRI and Communication of Progress of the Global Compact”¹⁹*, enables companies to publish one single sustainability document or report, simultaneously meeting the requirements in the GRI G3 methodology and in the COPs.

3.3.5 Ethos Indicators of Social Responsibility

The Ethos Indicators of Corporate Social Responsibility were developed by the Ethos Institute, a non-profit organization promoting Social Responsibility in Brazilian companies.

Ethos indicators were conceived as an essentially internal self-assessment and learning tool to support Corporate Social Responsibility management.

Ethos indicators (2006) cover the following subjects: values, transparency, corporate governance, internal audience, suppliers, customers and clients, government and society, and communities.

¹⁹ Published in 2007 and translated into Spanish by the Argentinean Enterprise Council for Sustainable Development, available in electronic version at:

<http://www.unglobalcompact.org/languages/spanish/GRIestableciendolaconexFINAL.pdf>

3.3.6 Guide for the Voluntary Publication of Sustainability Reports in the Oil and Gas Industry

The organizations, International Petroleum Industry Environmental Conservation Association (IPIECA) and American Petroleum Institute (API), jointly developed a “Guide for Voluntary Publication of Sustainability Reports in the Oil and Gas Industry”, as a reference to assist the hydrocarbon industry in reporting its environmental, health, and security, economic and social performance.

These indicators address specific issues linked to the impacts arising from hydrocarbon industry activities and operations. Such indicators are not a standard, but seek to supplement the GRI methodology, as well as to improve the quality and consistency of reports in this sector.

3.4 PROCESS FOR PREPARING SUSTAINABILITY REPORTS

This section describes the process to be followed when preparing sustainability reports, based on the GRI methodology guide, including six steps, as illustrated in Figure 4.

The steps for preparing a sustainability report are the following:

1. Diagnosis
2. Consultation with stakeholders
3. Collection and analysis of information/development of contents
4. Verification
5. Design, printing, distribution, and broadcasting
6. Analysis of opportunities for improvement.

Community involvement is only one of the aspects addressed in sustainability reports. However, community relations managers should become actively involved in the process of report preparation since performance results are systematically linked to the various management and subject areas. On the other hand, these stages apply equally to the specific work teams that will be created by the company to address this challenge.

3.4.1 Stage 1: Diagnosis and Planning

3.4.1.1 Work team and responsibilities

The company shall create a high-level multi-disciplinary team, responsible for the technical and editorial direction of the sustainability report, and specialized work teams for each performance area.

Work teams focus specifically on “community relations”.

3.4.1.2 Benchmarking in Sustainability Reports

The community relations work team shall develop a comparative study of other reports in the industry both worldwide and in the Region, in order to identify the best practices.

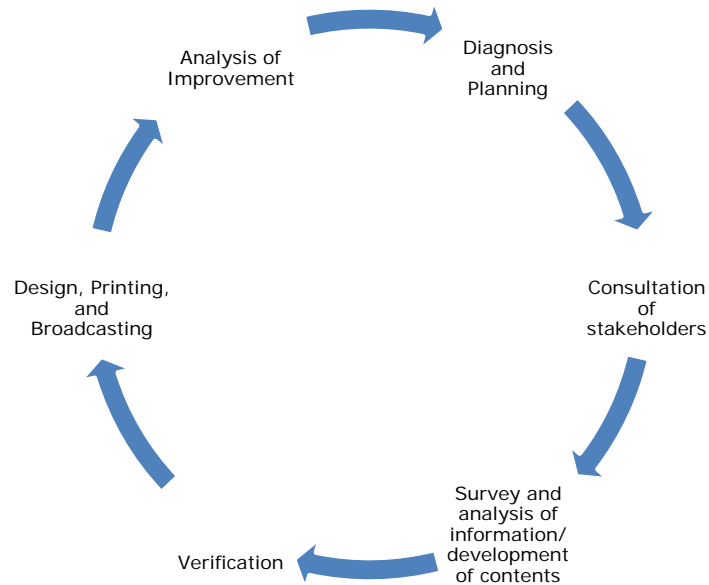
3.4.1.3 Media Analysis

Written or electronic press and other media shall be examined, in order to identify the significant sustainability issues on which the company was assessed during the period to be reported.

3.4.1.4 Proposed scope and coverage

The editorial team shall define the scope and coverage of the report in terms of geographical area, operations and business units to be covered, time scope, and eventual inclusion of activities and operations of related companies and partnerships.

FIGURE 4 – PROCESS FOR PREPARING THE COMPANY’S SUSTAINABILITY REPORT



3.4.1.5 Analysis and Proposal of Indicators and Issues

Analysis and proposal of indicators and issues to be taken into account, including company commitments and performance goals. Internal staff responsible for providing the information and data relating to proposed indicators.

3.4.1.6 Work Plan

Identification of staff in charge of surveys to obtain information, and development of a schedule or Gantt chart with the foreseen stages and activities.

3.4.2 Stage 2:
Consultation with
Stakeholders

The stakeholder consultation stage is the most relevant to define the contents and focus of the report, according to the principles of participation or inclusion, and reality.

The company shall formally consult with various stakeholder groups on specific aspects and the information required for the report as well as the depth and detail

necessary.

Consultation with stakeholders in communities includes organized groups and relevant individuals, previously identified and mapped by the company. Consultation may be performed using the permanent spaces and mechanisms of participation or social dialogue between the company and the community. Results of such consultation shall be included in the work plan design.

3.4.3 Stage 3: Collection
and Analysis of
Information and
Development of
Contents

The stage of information collection and analysis includes the following actions:

a) Each work team and staff in charge shall collect information for each of the indicators selected by the company and stakeholders, both the indicators proposed by the GRI and additional indicators that the company may deem relevant to account for its performance. Therefore, the company shall resort to the registration systems included in the respective management procedures.

b) Analysis of information. Collected information shall be compared to contents and data in internal documents and prior publications made by the company. If there are prior reports available, the information therein shall be analyzed to identify trends and performance of commitments.

c) Systematization of data: collected data shall be systematized.

d) Preparing a draft. The various sections of the report shall be drafted and edited, emphasizing the relevant (material) issues, and following the GRI structure and criteria, in order to ensure accuracy, clarity, and the context of sustainability. Specifically, simple and direct language shall be used to make it accessible to all types of audiences.

e) Validation of final draft. The draft of the report shall be subject to revision and approval by the Editorial Committee.

3.4.4 Stage 4: Verification

3.4.4.1 Internal Review

Once data are collected, and in order to ensure quality and reliability of contents and data, each Management area shall examine and approve the information related to its area of performance.

3.4.4.2 Self-Assessment

According to the categories defined by the GRI methodology, the company may rank its report in the "C", "B", or "A" level, which indicates a growing rate of coverage. Criteria used by GRI to determine a report's

level are described in "GRI Application Levels", at the following e-mail address:

<http://www.globalreporting.org/NR/rdonlyres/FB8CB16A-789B-454ABA52-993C9B755704/0/ApplicationLevels.pdf>

Reports assessed by the company itself fall into the category of "self declared".

3.4.4.3 Independent Verification

In order to provide additional credibility to the report, the company may hire a verification system from independent third parties, resorting to specialized external auditors, which will allow the company to add the "+" sign to the GRI application level achieved, that is, may be classified in

categories "C+", "B+" or "A+", as appropriate; or request verification of specific contents of the report from citizen panels, NGOs or prestigious social organizations.

3.4.4.4 Evaluation by GRI

The company can engage the evaluation of its report from the Global Reporting Initiative, which ranks the level of application of the report in the evaluation category.

3.4.4.5 Verification Panels

An alternative for external verification used by some companies is verification of its reports by a renowned NGO or by verification panels formed by publicly reputed representatives of its stakeholders.

3.4.5 Stage 5: Design, Printing, Distribution, and Broadcasting

This stage in the process of issuing a report is crucial for the final outcome and needs to consider the following aspects:

3.4.5.1 Design

The design of the report should invite audiences to read it. Data shall be presented in an attractive form and be easily understandable to all types of audiences. Texts shall be supplemented by images reflecting real situations, contributing testimonial value to the document.

3.4.5.2 Printing

Printing shall consider eco-efficiency, such as the use of recycled paper, non-toxic inks, and in general, prioritize reasonable printing techniques and cost of paper, and shall be consistent with the principles of sustainability.

3.4.5.3 Distribution

A rigorous analysis is required for report distribution in order to avoid leaving out any important stakeholders.

3.4.5.4 Broadcasting

Broadcasting of the report to the public opinion in general and to specific groups of stakeholders, both internal and external, is essential for compliance with the objective of accountability. Each company shall design a communication plan for these purposes.

3.4.6 Stage 6: Analysis of Improvement Opportunities

3.4.6.1 Report on Improvement Opportunities

The external verification service, if hired, shall include a report on improvement opportunities that will identify gaps to be considered in the process of preparing the report for the next year.

3.4.6.2 Analysis of Polls for the Report

The sustainability report includes a survey form to obtain feedback from stakeholders. Answers received are analyzed for the ongoing improvement of the process.

3.4.6.3 Internal Analysis of the Work Team

The technical and editorial team shall evaluate the process of preparing the report and results obtained, to detect eventual errors, gaps, and opportunities. This analysis will

allow for improvement of the preparation process and product for the following period.

3.5 INDICATORS FOR THE REPORT ON COMPANY RELATIONS WITH THE COMMUNITY

This section sets forth the protocols of indicators of various reporting methodologies linked to the interaction of companies with communities. While regional oil and gas companies shall be guided mainly by the GRI-G3 methodology in the process of preparing their reports, it would be advisable to examine other families of indicators in order to select the most adequate parameters to measure and report their impacts on the community.

3.5.1 GRI Performance Indicators Protocol

The GRI Performance Indicators protocol is made up of 79 performance indicators. The GRI/G3 Guide classifies such indicators into two categories: core and additional. Core indicators are those considered of the utmost relevance for most stakeholders. Core indicators are considered real, unless considered otherwise, in specific cases and on the basis of GRI principles.

The 79 GRI performance indicators are distributed in the three dimensions of sustainability, as per the breakdown in Table 17.

Each one of these three performance areas considers its own indicators, which are grouped in specific categories. The social dimension considers four types of indicators: of Work Practices and Ethics, Human Rights, Society, and Responsibility for Products.

TABLA 17 - BREAKDOWN OF GRI INDICATORS

Dimension		Indicators
1.	Economic Dimension	9
2.	Environmental Dimension	30
3.	Social Dimension	
	a) Work Practices and Ethics	14
	b) Human Rights	9
	c) Society	8
	d) Responsibility for Products	9
Total		79

3.5.1.1 GRI G3 Indicators of Relations with Communities

The GRI G3 methodology contemplates only one specific indicator of the "Communities" aspect, which is part of the "Society" Group of indicators. It is the SO 1 indicator which is highly generic and broad, referring to "Nature, scope and effectiveness of programs and practices to evaluate and manage impacts from operations on communities, including start-up, operation, and closure of the organization".

The lack of more specific and delineated indicators motivated the Global Reporting Initiative to form a multi-stakeholder work team, to develop differentiated parameters to report on the relation of companies with communities. The proposal²⁰, still in the process of public review, consists of replacing the SO 1 indicators with three indicators relating to the following:

1. **Indicator 1:** Scope of involvement with local communities and support to development initiatives in the various company business units.
2. **Indicator 2:** Operations with significant potential negative impacts and their current impacts on communities.
3. **Indicator 3:** Mitigation actions implemented in operations with higher potential for negative impacts on local communities.

Without prejudice to the ongoing developments, the GRI methodological framework proposes numerous indirect indicators of great relevance in relations with communities since it allows for the description of strategy and context issues on sustainability, management, and specific impacts, which are significant to relations with communities.

For the purposes of reporting on relations with communities and identification of relevant issues for local stakeholders, Tool 1 “GRI Indicators and Relations with Communities” provides a selection of all indicators that require analysis in order to report on community relations, in addition to recommendations for the application thereof.

TOOL 1 - GRI INDICATORS AND RELATION WITH COMMUNITIES

Code	Description	Observation
STRATEGY AND ANALYSIS		
1.1	Statement from the company Chairman or General Manager on the relevance of sustainability to the company and its strategy	<i>Incorporation of commitment to the community</i>
1.2	Statement of main impacts from the company on sustainability and effects thereof on stakeholders	<i>Identification and description of impacts on communities</i>
COMPANY PROFILE		
2.10	Prizes and awards received during the reporting period	<i>Acknowledgments and distinctions received locally recognizing the company's involvement with communities, development of social investment initiatives and participation in local development</i>
REPORT PROFILE		
3.4	Contact for issues relating to the report or its contents	<i>Identification of mechanisms for stakeholders in specific communities to submit observations, recommendations or comments on the report.</i>

²⁰ Examine <http://www.globalreporting.org/NR/ndonlyres/6D00BC14-2035-42AB-AB6A-5102F1FF8961/0/CIReportfinalnew.pdf>

Report scope and coverage		
3.9	Data measurement techniques used and estimation criteria in relation to indicators and other information contained in the report	<i>Explain criteria for assessment of positive and negative impacts of the company on the community.</i>
Verification		
3.13	Policy and practice of external verification of the report. Explanation of scope and basis of any other existing external verification. Clarification of the relationship between the informant company and provider(s) of verification services.	<i>For example, participation of local role-players and independent third parties in verification panels.</i>
GOVERNMENT, COMMITMENTS AND STAKEHOLDER PARTICIPATION		
Government		
4.1	Government structure, including committees of the highest government entity responsible for tasks such as the definition of strategy or supervision of the company. Describes the instructions and composition of such committees and indicates the direct responsibilities for economic, social, and environmental performance.	<i>Inform if the company has a delegate, or a Board committee responsible for the definition of the strategy and supervision of Community Relations management.</i>
4.5	Link between compensation to members of the government entity, senior officers and executives (including agreements on resignation to the position) and performance of the company (including social and environmental performance).	<i>Analyze if incentive mechanisms are included, and linked to the results of Community Relations management.</i>
4.7	Procedure for training and experience required from members of the highest government entity to guide the company's strategy in social, environmental, and economic issues.	<i>Report on the Board's sensitization and training in aspects relating to Community Relations.</i>
4.8	Statement of mission and values, codes of conduct and relevant principles for economic, environmental, and social performance, and status of implementation.	<i>For example, Community Relations policy.</i>
4.9	Procedures of the highest government entity to supervise the identification and management, by the company, of economic, environmental, and social performance, including related risks and opportunities, as well as adhesion to or compliance with international standards, codes of conduct, and principles.	<i>Assess the manner in which the Board supervises compliance with the environmental regulatory framework and principles and voluntary standards adopted by the company.</i>
4.10	Procedures to assess the highest government entity itself in terms of economic, environmental, and social performance.	<i>Assess performance of the Board of Directors or senior management in Community Relations.</i>
Commitments to External Initiatives		
4.11	Precautionary principle (Article 15, Rio Principles). Description of the company's focus on risk management issues in relation to operating planning or development and introduction of new products.	<i>Assess how the company has applied the precautionary principle in relation to the risks and impacts from production processes on the environment and the health of communities.</i>

4.12	External social, environmental, and economic principles, as well as any other initiative that the company enters into or approves. Include date of effectiveness and which countries or operations they are applied in, as well as the various stakeholders engaged in the development and direction of such initiatives (for example, participative approach, etc.). Differentiate non-binding voluntary initiatives from initiatives that the company is required to implement.	<i>Describe external social and environmental initiatives supported by the company (e.g. Social Government Programs, initiatives from environmental preservation organizations, civil society organization programs, etc.)</i>
4.13	Main associations of which the company is a member (such as sector-specific associations) and/or national and international entities supported by the company.	<i>Identify all associations of communities that the company is a member of, as well as wider scope associations which address issues of social responsibility to communities (e.g., United Nations Global Pact, SR Committee of ARPEL).</i>
Stakeholder Participation		
4.14	Stakeholders that the company has included.	<i>Include stakeholders from communities.</i>
4.15	Basis for identification and selection of stakeholders to which the company is committed.	<i>Methodology used for the identification, mapping, and analysis of local stakeholders.</i>
4.16	Approaches to engage stakeholders, including frequency of participation per stakeholder type and category (studies and surveys, discussion groups, social expert groups, advisory teams, written communications, directive bodies/unions and others). Indicate if any part of the inclusion process was specifically developed as part of report preparation.	<i>Mechanisms of citizen participation and social dialogue with communities. Specifically, methods for including local stakeholders in the process of preparing the report.</i>
4.17	Main concerns and issues of interest that arise through participation of stakeholders and manner in which the company has responded thereto in report preparation.	<i>Expectations of stakeholders in the community and response/ commitment from the company.</i>
PROTOCOL OF PERFORMANCE INDICATORS		
1) ECONOMIC PERFORMANCE INDICATORS		
ASPECT: MARKET PRESENCE		
EC5	Relation between the standard initial salary and the local minimum salary in areas where significant operations are developed.	<i>Analysis in each of the communities</i>
EC6	Policy, practices and rate of expenditures in local suppliers in areas where significant operations are developed.	<i>Analysis in each of the communities</i>
EC7	Procedures for local hiring in areas where significant operations are developed.	<i>Analysis in each of the communities</i>
ASPECT: INDIRECT ECONOMIC IMPACTS		
EC8	Development and impacts from investment in infrastructure and services provided mainly for public benefit under commercial agreements, pro bono, or in	<i>Analysis in each of the communities</i>

	kind.	
EC9	Description of significant indirect economic impacts, including scope thereof.	<i>Analysis in each of the communities</i>
2) ENVIRONMENTAL PERFORMANCE INDICATORS (+)		
ASPECT: ENERGY		
EN6	Initiatives to supply renewable energies.	<i>In the event renewable energies are supplied to communities</i>
ASPECT: WATER		
EN9	Water sources which have been significantly affected by water resources intake.	<i>Analysis in each of the communities</i>
ASPECT: BIO-DIVERSITY		
EN12	Description of significant impacts from activities, products, and services on biodiversity, natural protected spaces or areas of high non-protected biodiversity.	<i>Analysis in each of the communities</i>
EN13	Protected or restored habitats.	<i>Analysis in each of the communities</i>
EN14	Strategies and actions for management of impacts on biodiversity.	<i>Analysis in each of the communities</i>
EN15	Number of species, broken down per danger of extinction, included in the Red List of the IUCN and in national listings and whose habitats are located in areas affected by operations.	<i>Analysis in each of the communities</i>
ASPECT: EMISSIONS, DISCHARGES AND RESIDUES		
EN16	Total emissions, direct and indirect, of greenhouse effect gases, by weight.	
EN18	Initiatives to reduce greenhouse effect gases and achieved reductions.	
EN19	Emissions of ozone depleting substances, by weight.	
EN21	Total discharge of residue waters, according to the nature and destination thereof.	
EN23	Total number and volume of the most significant accidental spillages.	
EN24	Weight of transported, imported, exported or treated residues that are considered hazardous as per the classification of the Basel Convention.	
EN25	Identification, size, protection status, and value of biodiversity of water resources and related habitats significantly affected by water discharges and runoff waters.	
ASPECT: PRODUCTS AND SERVICES		
EN26	Initiatives to mitigate environmental impacts from products.	<i>Downstream activities</i>

ASPECT: REGULATORY COMPLIANCE		
EN28	Significant fines and number of non-monetary penalties for non-compliance with environmental regulations.	
ASPECT: TRANSPORTATION		
EN29	Significant environmental impacts from transportation of products and other goods and materials used for company operations, and transportation of personnel.	
3) SOCIAL PERFORMANCE INDICATORS		
3.1 INDICATORS OF PERFORMANCE IN LABOR PRACTICES AND ETHICS		
ASPECT: EMPLOYMENT		
LA1	Breakdown of collective workers per type of job, contract, and region.	
ASPECT: HEALTH AND SECURITY IN THE WORKPLACE		
LA8	Education, training, advisory assistance, risk prevention and control programs for workers, their families or members of the community.	<i>Indicate education and risk prevention activities with communities</i>
3.2 HUMAN RIGHTS PERFORMANCE INDICATORS		
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES		
HR1	Percentage and total number of investment agreements which include human rights clauses or have been analyzed in terms of human rights issues.	
ASPECT: CHILD EXPLOITATION		
HR6	Identified activities that pose potential risks of incidents of child exploitation and measures adopted to contribute to the elimination thereof.	
ASPECT: HARD LABOR		
HR7	Operations identified as significant risks of originating episodes of hard labor or non-consensual labor, and measures adopted for the elimination thereof.	
ASPECT: SECURITY PRACTICES		
HR8	Percentage of security personnel trained in policies or procedures on human rights that are relevant to operations.	
ASPECT: INDIGENOUS RIGHTS		
HR9	Total number of incidents related to violation of the rights of indigenous people and adopted measures.	
3.3 INDICATORS OF SOCIETY'S PERFORMANCE		
ASPECT: COMMUNITY		

SO1	Nature, scope, and effectiveness of programs and practices to assess and manage impacts from operations on communities, including start-up, operation, and exit of the organization.	
ASPECT: PUBLIC POLICY		
SO5	Position in public policies and participation in the development thereof and in "lobbying" activities.	<i>Applied to local contexts</i>
3.4 INDICATORS OF PERFORMANCE IN RESPONSIBILITY FOR PRODUCTS		
ASPECT: HEALTH AND SECURITY OF CLIENTS		
PR2	Non-compliance with regulations or voluntary codes relating to impacts from products on health and safety, during its life cycle.	<i>Downstream activities, specially fuel quality and impacts on the environment and health</i>
PR9	Significant penalties for non-compliance with regulations on supply and use of company products.	<i>Analyze distribution chain of fuels and impacts on adjacent communities</i>

(*) Note: Among environmental performance indicators, those especially relevant to communities were selected

3.5.2 GRI Indicators and Global Compact Principles

Companies deciding to include the Communication of Progress of the Global Compact in their sustainability report prepared on the basis of GRI G3 methodology may use Tool 2 "Connection between Principles of the Global Compact and GRI Indicators" to relate GRI G3 performance indicators with the ten principles of social responsibility promoted by the United Nations.

It is advisable to reflect the correlation between GRI indicators and the Principles of the Global Compact in the Table of Contents of the Sustainability Report.

TOOL 2 - LINK BETWEEN PRINCIPLES OF THE GLOBAL COMPACT AND GRI INDICATORS

Area	Principle of the Global Compact	Relevant GRI Indicator
Human Rights	Principle 1: companies shall support and respect the protection of internationally proclaimed human rights.	EC5, LA4, LA6 - 9; LA13 - 14, HR1 - 9, SO5, RP1 - 2, RP8
	Principle 2: companies shall ensure that they do not become accomplices to abuses of human rights.	HR1 - 9, SO5
Labor	Principle 3: companies shall sustain freedom of association and effective acknowledgment of the right to enter into collective bargain agreements.	LA4 - 5, HR1 - 3, HR5, SO5
	Principle 4: companies shall support the elimination of all forms of hard and obligatory labor	HR1 - 3, HR7, SO5
	Principle 5: companies shall support	HR1 - 3, HR6, SO5

	actual abolition of child labor.	
	Principle 6: companies shall support the elimination of discrimination in employment and jobs.	EC7, LA2, LA13 - 14, HR1 - 4, SO5
Environment	Principle 7: companies shall support a precautionary approach to environmental challenges.	EC2, EN18, EN26, EN30, SO5
	Principle 8: companies shall implement initiatives to promote higher environmental responsibility.	EN1 - 30, SO5, PR3 - 4
	Principle 9: companies shall encourage the development and dissemination of technologies that are harmless to the environment.	EN2, EN5 - 7, EN10, EN18, AM26 - 27, EN30, SO5
Anti-corruption	Principle 10: companies shall fight corruption in all of its forms, including extortion and payment of bribes.	SO2 - 6

3.5.3 Ethos Indicators of Community Relations

In the sphere of community relations, the Ethos Indicators of Social Responsibility refer to two specific categories, which in turn are respectively divided into two sub-spheres, as shown in Table 18.

TABLE 18 - ETHOS INDICATORS OF SOCIAL RESPONSIBILITY WITH COMMUNITIES

1. Indicators of relations with local community	2. Indicators of Social Action
a) Management of company's impact on communities b) Relations with local organizations	a) Investment in social action b) Engagement in social programs

Tool 3 provides a description of Ethos Indicators for community relations and levels of application thereof.

TOOL 3 - ETHOS INDICATORS OF SOCIAL RESPONSIBILITY WITH THE COMMUNITY

1) Relations with local community					
Management of company's impact on local community					
Indicator 32:					
Considering its possible impacts on the life of communities (e.g. demand for health and recreational centers, nurseries, public transportation, traffic of vehicles) the company:					
Seeks to take actions to respond to claims and demonstrations from the communities.	Gains in-depth knowledge of its impacts on communities, through a structured system to receive claims and complaints from stakeholders, and holds regular meetings to inform the leaders of the community about adopted measures.	Has a formal policy in place to anticipate claims from the community and provide information on current and future impacts from company activities, and engages the community in the solution of problems.	In addition to having a formal policy on community relations, the company has standing advisory committees or work teams in which community leaders participate in order to analyze the company's activities and monitor its impacts.	This issue has not been addressed	
				This issue is not applicable in the company (rationale)	
Stage 1	Stage 2	Stage 3	Stage 4		
Additional Information				YES	NO
32.1	Do you acknowledge the community as an important interested party in your decision-making processes?				
32.2	Do you adopt community relation policies as set forth in your code of conduct and/or statement of values?				
32.3	Does the company actively participate in the discussion of community problems, proposing solutions?				
32.4	Does the company contribute with infrastructure or upgrading of community equipment in benefit of the community (e.g. housing, roads, bridges, schools, hospitals)?				
32.5	Does the company have a program to hire, in the respective activities and to the extent possible, the highest number of local individuals, and train them in order to raise the qualification levels of the community where it operates, in cooperation with unions, NGOs, community representatives or competent public authorities?				
32.6	Does the company have a practice of purchasing and investment in order to further the social-economic development of the community where it operates?				
32.7	Is the company aware of and does it train its employees to respect the values and traditions of the community where it operates?				
32.8	Does the company have indicators to monitor the impacts caused by its activities on the adjacent community?				

32.9	In case of regions adjacent to indigenous communities and reserves, does the company have formal policies, procedures and regulations to value and preserve the cultural and human heritage, and traditional knowledge and practices of indigenous people?			
In the last three years, has the company received complaints or demonstrations from the community (legal claims, petitions, motions with many signatures, demonstrations) for the motives listed below?				
32.10	Residues or waste, emission of smells or other forms of pollution (noise, visual contamination, etc.)			
32.11	Excessive vehicle traffic, causing noise and nuisance			
32.12	Interference with communication systems			
32.13	Negative social disturbances caused by company operations/facilities?			
32.14	Other reasons			
Relations with Local Organizations				
Indicator 33:				
In relation with community organizations, NGOs and public institutions (e.g. schools, clinics) of neighbouring communities, the company:				
Roughly knows their activities and provides timely responses to their eventual requests for support.	Supports several organizations through donations, funding of projects, disclosing successful experiences.	Participates in the joint development and implementation of projects with local entities, maintaining long term associations and enabling the development of involved leaderships.	Acts in association with local entities seeking to influence public policies by forming alliances and participating in networks to maximize its contribution to local development.	
			This issue has never been addressed.	
			This issue has no application in the company. (rationale)	
Stage 1	Stage 2	Stage 3	Stage 4	
Additional Information			YES	NO
33.1	Does the company perform a topographic survey of the local community's needs before designing its projects?			
33.2	Does the company implement educational and/or public interest campaigns jointly with the community and local organizations?			
2) Social Actions				
Funding of social actions				
Indicator 34				
Funding of the company's social action is performed through the following mechanisms:				

Variable fund, managed on a discretionary basis by a Director or Executive Officer in response to external requests.	Fund allocated in the annual budget, and managed with transparency by a committee or work team, according to pre-established criteria.	Structured social program, with pre-established budget items, managed by a specialized team, with defined target audiences, goals, and strategies.	Structured social program or private social investment that has its own mechanisms for generating revenue and ensured continuity in the long run (e.g. captive fund and/or fixed percentage of company's billing).	This issue has not been addressed before.	
				This issue has no application to the company. (rationale)	
Stage 1	Stage 2	Stage 3	Stage 4		
Additional Information				YES	NO
34.1	Does the company consider social projects and those responsible for them in its strategic planning?				
34.2	Does the company have mechanisms to encourage suppliers, shareholders and other parties involved to make financial donations?				
34.3	Does the company resort to experts for the cycle of planning, monitoring, and assessment of its social action?				
34.4	Does the company plan its social action with the aim of maximizing its impact in the long run?				
34.5	Does the company optimize the impact of its social action by leveraging on resources from other private companies or entities, and/or engagement of public agencies?				
34.6	Does the company have procedures for regular consultation of the beneficiaries of its social action, monitoring results on the basis of performance indicators?				
Engagement in social actions					
Indicator 35					
When developing its social initiatives, the company:					
Makes donations of products and financial resources, and/or coordinates the program of corporate voluntary action, and/or develops its own social programs.	In addition to donations and/or corporate social projects, the company assigns employee hours, equipment and infrastructure to activities linked to its projects.	In addition to material support, the company has a structured project, using the technical, technological and management skills of its employees in order to strengthen social projects (corporate or by third parties).	In addition to material support and skills, the company engages local organizations or leaderships in the design and implementation of social projects and speaks up before public or private agencies to carry out the same.	This issue has not been addressed.	
				This issue has no application in the company (rationale).	

Stage 1	Stage 2	Stage 3	Stage 4			
Additional Information				YES	NO	
35.1	Does the company use tax incentives to deduct or rebate its donations and sponsorships?					
35.2	Does the company internally disclose the projects it supports and develops, offering opportunities for voluntary work and encouraging the participation of its employees?					
35.3	Does the company authorize the controlled use of paid hours for voluntary work?					
With regards to the governance of social action, the company:						
34.4	Has a mixed council or committee with members from various company areas, or the Corporate Group, including members of society who are entitled to address the issues within the scope thereof?					
				2008	2009	2010
35.5	Percentage of gross billing destined to social action (do not include legal liabilities, or payable taxes or provisions linked to the condition of company employee).					
35.6	Percentage of donations in products and services, out of the total destined to social action.					
35.7	Percentage of donations in kind, out of the total destined to social action.					
35.8	Percentage of investment in its own social project, out of the total destined to social action.					
35.9	Percentage of advertising, out of the total destined to social action.					
35.10	Percentage of employees performing voluntary work in the community external to the company.					
35.11	Average of monthly hours donated (released from working hours) by the company for voluntary work by its employees.					

3.5.4 IPIECA Indicators of Social Responsibility

Sector-specific indicators for the hydrocarbon industry, developed by IPIECA – API, are divided into two categories – main and additional – as per the criteria set forth in Table 19.

TABLE 19 - CATEGORIES OF IPIECA – API INDICATORS

Main Indicators	Additional Indicators
Relevant for almost all the companies in this sector	Relevant for specific companies and stakeholders thereof
Inherent to central activities of this industry, e.g. <i>upstream, downstream</i>	Associated to specific activities of companies
Of general interest to a wide range of stakeholders at the regional and global level	Relating to local regulations, interests, and requirements
Relating to matters of national or global relevance	Relating to local affairs
Of common and consistent use in this industry	In the development or evolution phase

IPIECA indicators cover four performance spheres: Environment, Health and Security, Social Responsibility, and Economic Performance. Social responsibility performance indicators (Section 5 in the Guide) are subdivided in turn, into four categories:

- a) Human Rights
- b) Business Ethics
- c) Work Practices
- d) Community & Society

Indicators for the scope of Social Responsibility that are applicable to relations with communities are described in Tool 4.

TOOL 4 - IPIECA-API SECTOR-SPECIFIC INDICATORS

Code	Main/ Additional	Indicator
Human Rights		
SOC – 1	Main	Human Rights Description of policies and/or procedures to address Human Rights issues, including progress in the implementation thereof. Specifically, Human Rights impacts on company's investment and acquisition decisions, and on selection of suppliers thereof.
Labor Practices		
SOC – A3	Additional	Local Employment Opportunities Description of policies and procedures for the enrollment and training of local employees, including the company's senior management. As appropriate, match against legal requirements.
Community and Society		
SOC – 8	Main	Relations with communities Description of procedures to evaluate and manage positive or negative

		<p>impacts on communities, in areas affected by the company's main operations.</p> <p>Include description of programs developed by the company and results thereof.</p>
SOC – A4	Additional	<p>Social investment</p> <p>Total investment amount, broken down by geographic area. In addition, description of policies, main points, and procedures for social investment.</p>
SOC – A5	Additional	<p>External training</p> <p>Programs and activities designed to provide skills to communities where the company operates (e.g. support to the judicial system or communications media, education and training for unemployed), including information on positive or negative impacts.</p>
SOC – A6	Additional	<p>Indigenous communities</p> <p>Description of processes to engage indigenous communities and address their needs.</p>
SOC – A7	Additional	<p>Relocation of human groups and land rights</p> <p>Description of policies and/or procedures to address the relocation or resettling of human groups and land rights of impacted communities.</p>
SOC - 9	Main	<p>Security</p> <p>Evidence of implementation of "Security and Human Rights Principles" or equivalent policies relating to these issues.</p>

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