

November 24, 2008

To: Rand Swenson, Plant Manager
ConocoPhillips San Francisco Refinery and Carbon Plant

From: Nancy Southern, Director, Organizational Systems Programs
Tom Stewart, Project Coordinator
Saybrook Graduate School and Research Center

Re: Best Practices to Maximize the Effectiveness of the Community Advisory Process

Executive Summary:

This final report was prepared by Saybrook Graduate School and Research Center (Saybrook) in response to a proposal to identify best practices for maximizing the effectiveness of the ConocoPhillips Rodeo Community Advisory Panel (the CAP). The CAP serves as an advisory body to company representatives from the ConocoPhillips San Francisco Area Refinery and Carbon Plant (ConocoPhillips). Data sources used in preparing this report include a review of existing academic and professional literature; interviews with CAP members, company representatives, and others; and a facilitated dialogue with the CAP and ConocoPhillips following the presentation of preliminary findings. Consistent with action research and its continuous improvement, change orientation, the collected data was subsequently organized and analyzed to identify best practices out of which specific recommendations were generated. Best practices and associated recommendations contained in this report will be presented to the CAP and ConocoPhillips as the final deliverable under this proposal.

Organized by major areas of activity (e.g., introduction, purpose, history, approach, and findings), findings in each area incorporate one or more best practices and associated recommendations as presented below:

- Process and Scope – continue emphasis on qualitative values to ensure the ongoing success of the CAP process (e.g., trust, communication, transparency, independence, third-party facilitation, maintaining tension, taking action, and follow-through) and expand the role of the CAP to incorporate modified priorities in response to changing environmental and social pressures
- Mission-Vision-Goals-Objectives – review the CAP’s charter and organizing documents in terms of mutual benefit that expands beyond a primary focus on environmental, health, and safety, to explore the relevance of:
 - Maintaining a healthy skepticism of the company and its activities
 - Evaluating and adopting new or evolving matrices by which industrial operations are currently evaluated
 - Incorporating the changing needs of the communities surrounding the refinery
 - Evaluating the role of the CAP for the adoption of best practices within the company, among other CAPs, and across the industry

- Engagement – identify and incorporate as additional areas of focus and corporate performance matrices in such areas as sustainability or corporate social responsibility
- Leadership – Clarify both formal and informal leadership roles
 - Consider having co-leadership (community and company) in identifying issues, setting agendas, performing evaluations, membership, and to maintain tension
- Relationship – Maintain the proper “tension” in the relationship and avoid becoming “too comfortable”, to ensure that the channels for communication are always open to healthy skepticism and critical concerns.
 - CAP members should communicate “what they are hearing within the community” regardless of whether they concur with what is being said.
 - Issues of concern can also be communicated confidentially to the facilitator.
- Expectations and Feedback - create an appropriate level of tension through honest feedback in an atmosphere of frank and open discussion around expectations and desired outcomes, particularly as related to support for projects or identified community needs
 - Initiate a dialogue around what constitutes an appropriate level of tension and how to maintain it
 - Initiate a facilitated discussion around expectations, outcomes, and support between the CAP and ConocoPhillips
 - Create a vehicle for non-linear, ongoing discussion, such as a blog or posing a question in the local media or the company newsletter
- Membership - Ensure “all of the chairs are filled” by focusing on maintaining diverse, multi-community-representative membership on the CAP
 - Review major stakeholders, including who’s not at the table with the potential of expanding the CAP in areas of representation or geographically and initiate a 2009 membership drive
 - Determine why some members are less engaged than others
 - CAP members and company representatives bring guests
 - CAP members and company representatives make reports in areas of representation
 - Invite the media to selected CAP meetings for balanced press
- Engagement – Create a “safe haven” for expressing concerns
 - Schedule a reality check, possibly as a closed session of the CAP
 - Enter into a dialogue regarding future continuation of community support and funding.
- Community Outreach - CAPs are critical in establishing successful relationships with the communities surrounding the refinery, but must be visible to be effective
 - Using the CAP to conduct a survey of community priorities
 - Volunteer at more community events
 - Recognize the actions of ConocoPhillips in the areas of sustainability and social responsibility
 - Participate in fund-raising for community needs
 - Connect with local and regional organizations
 - Host a CAP “best practices” sharing event with other CAPs in the area or within ConocoPhillips

- Expand the Refinery 101 program beyond the CAP to include other options such as “take your neighbor to work day”
- Emergency Preparedness and Response - ensure that the community is prepared in the event of any environmental, health and safety issues
 - Review and enhance community specific communication strategies, engage in scenario planning, invite participation by CAP and community members in drills, and educate the community on refinery operations, both EH&S and other areas of focus
- Sharing Best Practices within Company or Across Industry - Documenting CAPs and facilitated processes and practices across an industry would ensure a lasting sensitivity to addressing the concerns of business and community stakeholders in such areas as EH&S, sustainable development, and accountability.
 - Hold a bi-annual multi-day or offsite retreat focusing on team-building
 - Advocate that ConocoPhillips support industry-wide CAP formation through its trade associations
 - Create a CAP manual that would be independently published to assure that best practices are institutionalized
 - Publish this research in relevant academic journals and trade association publications
 - Encourage trade organizations to conduct research
 - Educate the CAP on decision-making practices and priorities within a corporate environment
 - Support the efforts of the facility manager and management team in their efforts to communicate the benefits of continuing CAP interactions “up the chain”
 - Educate the CAP and ConocoPhillips regarding Dow Jones Sustainability Index and conduct an evaluation of which sustainability measures are effective and under what circumstances, which could be maintained, and by whom

Positive themes here centered on communication, honesty, trust, and action, while themes for improvement centered on visibility, community outreach, and emergency preparedness and response. The CAP’s success lies in the fact that both the CAP and ConocoPhillips are doing many things right, both are open to learning what they could do better, there is a high level of quality dialogue between all parties, and there has not been a serious health/safety incident (NEVER underestimate the value of health/safety).

All the areas addressed in this report are all highly interrelated. Just as a strength in one area strengthens others, a weakness in an area will likely spill over to others. A strong, clearly articulated mission, committed membership representative of the community and company, well understood structures and processes, and a strong connection to the community are vital ingredients for a healthy CAP. Implementation of improvement in any one area will necessarily improve the others.

Introduction:

This final report is intended to provide the members of the ConocoPhillips Rodeo Community Advisory Panel (the CAP) and ConocoPhillips San Francisco Area Refinery and Carbon Plant (ConocoPhillips) with a more thorough analysis of the research and interview findings as they relate to identifying best practices for maximizing the effectiveness of community advisory panels. The report, prepared by the Saybrook Graduate School and Research Center Team (the Team) drew upon data collected from three primary sources: a) existing literature; b) information gathered through interviews with 5 CAP members, 3 company representatives, and 3 others; and c) input provided during the October 9, 2008 preliminary reporting and feedback session.

Purpose:

The conclusions drawn and suggestions that follow are intended to spawn further discussion among CAP members and company representatives by outlining best practices, including potential areas of improvement and ways in which the CAP can serve as a positive model for others to emulate. It is the Team's hope that this report will contribute to the increased effectiveness of the CAP, as well as serving as a springboard for broader publication of the findings aimed at increasing the effectiveness of industry-sponsored facilitated advisory processes nation-wide.

History:

The initial driver for the establishment of the ConocoPhillips Rodeo CAP was a major incident at the refinery coupled with the perception that the refinery was not responsive to the environmental, health, and safety (EH&S) concerns of the Bayo Vista, Crockett, Port Costa, Rodeo, and Tormey communities (the community). Despite having existed in the community since the end of the 19th century, the predecessor company (Unocal) did not engage the community or give back to the host community in a way that was perceived to be a benefit or sufficient tradeoff for having a refinery as a neighbor. With the progressive evolution from company town to suburban community, the motivations for having a refinery in the community changed, as well as the perception of value. With the incident in 1994, the refinery was seen as having injured the community. In response to political and community pressures, the company (Unocal) initiated a CAP that began meeting in 1995. As the relationship between the CAP and company (first Unocal, then Tosco, now ConocoPhillips) has developed with an increasing level of community involvement and support, trust and communication have replaced fear and isolation; the major drivers for the CAP have changed.

Approach:

This project utilized an action research methodology. PhD students from Saybrook Graduate School worked as a team to conduct a literature review on best practices, identify participants with CAP experience, construct interview questions, engage participants in interviews, document and discuss the research findings, and prepare a preliminary report which was delivered to the CAP members on October 9, 2008. CAP members then examined the report findings, discussed

the meaning of the results to the development of the CAP, and suggested action steps for continuous improvement of their processes with the goal of being a best practice for other industry organizations.

Best Practices: (coded by literature review [R], interviews [I], and feedback session [F])

For the purpose of this research, “best practices” are defined as activities or processes that currently exist or have been identified by which the functioning and contribution of an organization, in this case the CAP, is currently or will be enhanced. The literature review included a focused review of both academic and trade sources where the search revealed a relatively limited number of best practices and with those coming primarily from the chemical, mining, and oil industries. The interviews resulted in a large data set of suggested best practices in the areas of: process, mission-vision-goals-objectives, scope, leadership, relationship, expectations, membership, evaluation, feedback, community outreach, emergency preparedness, and ongoing education. The feedback session revealed additional best practices and brought meaning and clarity to the proposed practices suggested by the Team.

The Team has concluded that much of what exists and has been discovered, in terms of best practices for facilitated advisory processes, has not previously been documented or shared beyond a particular company, industry, or trade association. Furthermore, an opportunity exists to address that weakness by sharing best practices across companies or industries to improve community-business relations without necessarily being tied to a specific industry, or by performing additional targeted research. Consistent with the CAP’s mission and vision, as well as what was observed during the meeting, this report has been structured to emphasize mutuality of benefit consistent both with action research and as enhancing the opportunity to collaborate on what is perceived to be of benefit to both the CAP and the company.

Below is a listing of the major findings and recommendations, organized by area of activity, best practice, and recommendation.

Recommendations:

As noted, the recommendations provided below represent a synthesis of the literature review findings, the interview responses, and the feedback provided by participants during the October 9, 2008 interactive session. The Team analyzed the data from all of the sources and developed a number of best practices and recommendations organized by subject area. Because an assessment of best practices involves both looking at what could be as well as what currently exists, included in the recommendations are both suggestions for improvement, as well as things that the CAP or ConocoPhillips are doing well and should be continued as part of the CAP process going forward.

Process and Scope:

BEST PRACTICES: CAP-company relationships are infused with numerous qualitative values that are perceived to be essential in contributing to the ongoing success of the CAP process. For example, an essential ingredient of successful CAPs appears to be an

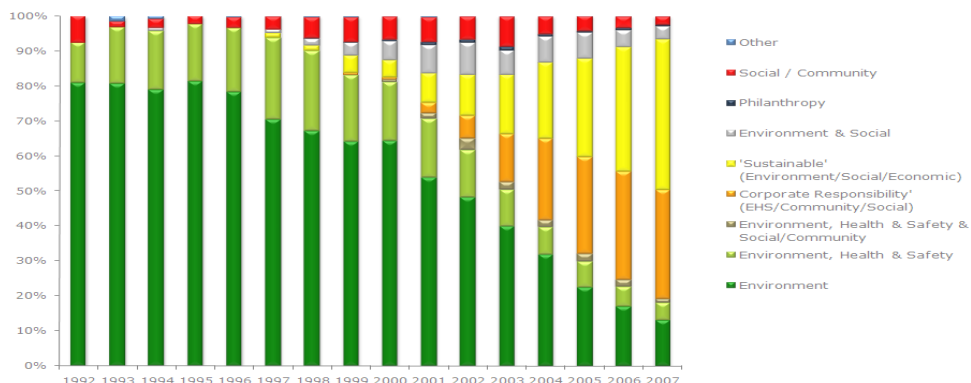
independent facilitator who has knowledge of the issues and connects with both company and community members. Spending time building relationships and establishing trust among parties is also valuable. Transparency, honesty, and engaged involvement appear to be critical elements in the functioning of the CAP. These are values that are hard to quantify but contribute to the ongoing success of the process and the ability of the CAP to make meaningful contributions to the community and company. These processes do not easily lend themselves to flowcharts and ABC (stepwise) type work instructions with titles such as “How to Build a Successful CAP,” but are perceived to be critical as they provide value to all participants and lead to a process that contributes to quality of life in communities with industrial facilities [R, I, F]:

RECOMMENDATION: The Team has identified several key elements for maintaining an effective and dynamic CAP process that should be emphasized both in documentation and in the ongoing engagement of the CAP and ConocoPhillips, including:

- Maintain an environment that allows for trust to be built [I, F].
- Foster open and honest communication [I, F].
- Encourage mutual support and transparency [I].
- Utilize effective, professional facilitation [I].
- Circulate well developed agendas in advance of CAP meetings [I].
- Hold creative tension [F].
- Take action and follow-through [I, F].
- Remain open to learning from difficult situations and mistakes [I].
- Create situations that take CAP members out of their comfort zone (physically or otherwise) [I, F].
- Leverage current projects to reduce duplication of efforts [F].

Scope:

BEST PRACTICE: CAPs are often underutilized and should expand their role and function to address new areas of focus when appropriate [R, F]. The following chart shows how the priorities of company’s have changed over time in response to environmental and social pressures. Obtained from <http://www.corporateregister.com>



RECOMMENDATION: Consider a facilitated process of engagement to define other areas consistent with expanded corporate performance matrices and other standards (see above) that the CAP could potentially work with ConocoPhillips to develop and monitor locally, such as sustainability or corporate social responsibility. Also, consider inviting a representative from ConocoPhillips' offices to lead the initial discussion. This would enable the benefits and application of the dialogue to potentially expand and become a standard practice beyond the local CAP and community.

RECOMMENDATION: Follow up that conversation with a thorough review of the CAP's mission, vision, goals, and objectives in order to self-correct the CAP's course and envision how the CAP and ConocoPhillips might participate better together [I, F].

Mission-Vision-Goals-Objectives:

The mission, vision, and goals/objectives statements included in the CAP's charter were developed during a time when the relationship between the Community and refinery was adversarial and when the CAP's primary focus was on environmental, health, and safety (EH&S) performance. The current CAP-community-ConocoPhillips relationship has evolved beyond its adversarial beginning and become open and trusting.

This has resulted in a cooperative community-ConocoPhillips collaboration focused on addressing both social issues and company needs. This engagement and the mutuality of benefit needs to continue and should be emphasized as a fundamental component of the ongoing relationship of the CAP and ConocoPhillips.

BEST PRACTICE: Maintain ongoing dialogue and interaction through the CAP process.

RECOMMENDATION: Commitment to ongoing dialogue and collaboration with the CAP is one of the primary strengths of ConocoPhillips' relationship with the CAP. This commitment has enabled the relationship to become more open and trusting on all sides, resulting in an ability to make significant contributions to local quality of life [I, F].

BEST PRACTICE: In the aftermath of a major incident, all companies and facilities feel the impact in terms of heightened concern and loss of credibility. It is essential to maintain credibility and trust in the event of an incident by quickly and regularly interacting with the CAP.

RECOMMENDATION: ConocoPhillips can be an advocate for the introduction of facilitated engagement processes in advance of need through appropriate industry associations and internal corporate structures.

BEST PRACTICE: Maintain a mission that is both current and relevant to the evolving relationship and needs of the CAP, community, and company. This requires a periodic review, followed by revising or rewriting the CAPs mission statement if necessary [I, F].

RECOMMENDATION: Have a conversation between CAP members and ConocoPhillips representatives to discuss how the CAP has evolved. Use this as an opportunity to ask generative questions, such as: How do we capture our evolution in our mission and vision statements? What is the primary focus of the CAP/ConocoPhillips partnership? What are the evolving needs of the community and ConocoPhillips and how can the CAP facilitate the identification of those needs?

Leadership:

BEST PRACTICE: The CAP serves as both an advisory body and an advocate for community issues and concerns. It is important to clarify the role of both formal and informal leaders. How leadership is structured effects the way the group interacts. A formal leadership structure implies adherence to a strict agenda and clearly delineated lines of decision-making and communication (top-down). An informal structure implies more of give and take between participates in the group with less emphasis on bureaucracy (cross-functional). Groups function at their optimum when they clearly understand the leadership structure of the group (F). For this reason, it is important to establish and maintain a clear decision-making process that the CAP and company both understand and support.

RECOMMENDATION: If there is a single leader, CAPs must be careful to not only pursue the vision of the leader but rather pursue an agenda that is representative of the group as a whole. For this reason, the CAP may want to consider having co-leaders. Co-leadership would allow for representation of both sides (community and company) in identifying issues, setting agendas, participating in evaluations, dealing with membership, and so on. Also, co-leadership would help to create appropriate tension (discussed below).

Relationship:

BEST PRACTICE: CAPs have come under criticism as often becoming too comfortable in their relationship with their host company or too complacent in raising issues and concerns (Cohen dissertation, 1996). There needs to be an appropriate level of tension for the CAP to be productive, challenge the company, and represent the concerns of the community (Swenson, September 29, 2008). To be effective, CAPs need to provide honest feedback about the concerns of community members to the company. The company also must be able to trust the CAP to react to issues, both positive and negative, in the best interest of the community and the company. A healthy tension and skepticism is essential. The tension must be infused with respect, trust, and ethical behavior [R].

RECOMMENDATION: Initiate a dialogue to explore various means by which to create and maintain an appropriate level of healthy tension (as contrasted with unproductive, adversarial tension or an apathetic acceptance of the actions of the company). Some possible questions include: What does an appropriate level of tension between the CAP and ConocoPhillips look like? How can that tension be maintained? What is the balance between sharing what ConocoPhillips is doing and becoming an advocate for ConocoPhillips?

RECOMMENDATION: CAP members need to bring back to the CAP process “what they are hearing within the community” regardless of whether they concur with what is being said or not, or to share such information confidentially with the facilitator who and can bring this information back to the CAP and company as potential areas for discussion.

Expectations and Feedback:

BEST PRACTICE: CAPs function as a sort of ongoing insurance policy, helping to mitigate the risk associated with taking actions that are not understood or supported by the host community. From the company perspective, the CAP provides a means of reducing the threat of community opposition to planned projects and activities or of unbalanced media coverage as, for example, in the event of an incident by providing an open line of communication between the community and refinery, personalization of the refinery and its operations, and increased likelihood of community support for regulatory and permitting issues. From the community’s perspective, the CAP provides a means of reducing the threat of potential and perceived EH&S risks by enabling community members to have their concerns heard, providing ongoing access to the refinery operations, helping target corporate philanthropy and community outreach, and holding the company accountable for its actions as a member of the community. There exists an ongoing dynamic or symbiosis where both sides benefit from the relationship. As a result, the company can anticipate a good working relationship with both the CAP and community and potential support for its operations and projects going forward and the community can anticipate support in areas such as education, local hiring, social services, youth activities [R, I, F].

RECOMMENDATION: A successful and collaborative relationship requires periodic and frank discussion to identify the perceived needs of the CAP, community, and ConocoPhillips. Also, the CAP and ConocoPhillips need to identify what they are willing to work on together. To accomplish this goal, both the CAP and ConocoPhillips must clearly disclose their expectations of each other. A facilitated discussion is recommended that clarifies expectations, outcomes, and support by the CAP and ConocoPhillips. That discussion should identify the potential benefits, liabilities, and trade-offs of an expanded relationship and how such issues as complacency and skepticism can be addressed through ongoing collaborative engagement.

BEST PRACTICE: Active solicitation of community feedback [I, F].

RECOMMENDATION: Community feedback can be actively solicited by posting a question of the week in the local newspaper, participating in a local talk radio show, or establishing a website with an opportunity to enter into dialogue with the community.

Membership:

BEST PRACTICE: Ensure that “all of the chairs are filled” (Munnely, September 29, 2008) by active and contributing members. The ongoing ability of a CAP to contribute both to the community and the company relates to the diversity and enthusiastic, ongoing involvement of its members. There is often a perception that CAPs suffer from the comfort level of long-standing members. This can be mitigated by focusing on maintaining diverse, multi-community-representative membership on the CAP. The CAP needs to clarify who its major stakeholders are to ensure that everyone is represented and that the company is receiving thorough and wide-ranging input [R, I, F].

RECOMMENDATION: Initiate a discussion with members who are not participating to determine why they are not engaged or are hesitant to speak up. Use the outcomes of this discussion to identify topics or activities that will interest and engage the entire body.

RECOMMENDATION: Determine the interest of current members to expand their role into additional/other areas. Encourage less active members to become more involved by identifying projects or committees of mutual interest (John Swett Careers Academy or the New Horizons Careers Center).

RECOMMENDATION: Establish a cross-CAP group to share ideas/concerns/etc. Invite new people from ConocoPhillips and the community as guests and to become potential CAP members. Take the initiative to communicate identified CAP best practices throughout the region with other CAPs, industry-wide, and within ConocoPhillips by hosting a meeting at the CAP’s facility and inviting participants or via video conference with participation from other CAPs.

RECOMMENDATION: Initiate a process both to review the categories of membership and to reach beyond the current constituency in areas that are not currently represented on the CAP. Seek representation from missing stakeholders from the community (youth, Tormey, environmental, etc) or in areas of identified need (business and industry partners, higher education, etc.). Both ConocoPhillips and community needs should be built into this recruitment process.

RECOMMENDATION: Initiate a major recruitment campaign during 2009 with the aim of not only filling all of the chairs, but establishing a waiting list for when seats open up. Also, consider expanding the number of members on the CAP or leveraging ongoing corporate outreach activities and community funding where

there is an opportunity to involve the CAP and promote membership. Get youth involved by meeting with the local schools, participating with ConocoPhillips in school outreach activities, or using online (website, blog, etc.) or other mobile applications that reach a new/more community members.

RECOMMENDATION: Consider inviting the media periodically to attend meetings to raise awareness of both the CAP and ConocoPhillips.

RECOMMENDATION: Expose more refinery employee representatives in management and line operations to the CAP process, either through corporate training, community-sensitivity, or capacity-building activities as a means to represent employee perspectives on the CAP.

RECOMMENDATION: Identify major categories of stakeholders by considering those affected by the location of the company. These groups could include employees, communities in the immediate vicinity, and possibly communities outside the immediate vicinity affected by air or water quality or traffic patterns [R]. Review and clarify the selection process for new CAP members in terms of areas of representation, term limits, etc. Review the roles and responsibilities of CAP members to make sure that what is discussed is of ongoing interest and that CAP members are fully engaged in areas that are meaningful to the participants.

RECOMMENDATION: Set requirements for the selection of CAP members, such as geographic (Crockett, Rodeo, Bayo Vista, as well as people outside the immediate area), demographic (youth, senior citizens, parents, disabled), and area of expertise (i.e. technical, environmental, communications).

Engagement:

BEST PRACTICE: It is important to have engaged participation from ConocoPhillips, as well as a facilitator who can negotiate sensitive private agendas, provide a “safe haven” for expressing concerns, and keep the discussion on track and non-polarized between the CAP and company or within the members of the CAP [R, I, F].

RECOMMENDATION: During the annual review process, consider holding an extended discussion, potentially involving just the CAP during a closed session, to ensure that the current structure is meeting community needs, that the “real” issues are being discussed, and that both CAP members and ConocoPhillips representatives are satisfied with the process.

BEST PRACTICE: Ensure that both the CAP and company are actively involved in discussions relating to the continuation of community support and funding [I]. Past funding agreements resulted from post-incident negotiations. As agreements sunset, the CAP needs assurance that future funding commitments are important to the company.

RECOMMENDATION: The CAP and ConocoPhillips should immediately engage in dialogue relating to the future continuation of community support and funding. During these discussions, the CAP should serve as an advisor to ConocoPhillips.

Community Outreach:

BEST PRACTICE: CAPs are critical in establishing successful relationships with the communities surrounding the refinery, but must be visible to be effective. The CAP gives the company credibility [R, I, F].

RECOMMENDATION: Conduct a survey, possibly in ConocoPhillips' periodic newsletter or on a website to determine those issues that are of greatest importance to the community. This would further assist with recruitment by making the CAP more visible.

RECOMMENDATIONS: The CAP must first determine who the stakeholders are and then identify vehicles for interacting with those stakeholders. The CAP can increase its visibility with those stakeholders by:

- CAP members/ConocoPhillips employees volunteering at more community events.
- Contributing logistical help at other community events.
- Finding ways to get public recognition for the proactive and responsive actions taken by ConocoPhillips. For instance, showcasing CAP program success in newsletter or other local publication. Develop forums for communicating what ConocoPhillips and the CAP are doing in terms of sustainability and social responsibility.
- Participating in and funding successful events that raise money and address community needs. This can be done through continuation of current events, such as the fashion show and golf tournament, and by organizing or participating in new events.
- Making use of connections with other organizations.
- Hosting a collaborative CAP "best practices" sharing event with other CAPs in the area or within ConocoPhillips.

BEST PRACTICE: Provide access to and knowledge of the refinery by expanding opportunities for engaging the community [I].

RECOMMENDATION: Continue and expand the Refinery 101 program beyond the CAP and include other options for education such as allowing refinery employees the opportunity for a "take your neighbor to work day."

Emergency Preparedness and Response:

BEST PRACTICE: Ensure the community is prepared in the event of any environmental, health and safety issues [I].

RECOMMENDATION: Develop or enhance community specific communication strategies, engage in scenario planning, invite participation by CAP and community members in drills, and educate the community on refinery operations, both EH&S and others areas of focus [I, R].

Sharing Best Practices within Company or Across Industry:

BEST PRACTICES: Based on our research, the ConocoPhillips Rodeo Facility/CAP process approaches world class status. Documenting CAPs and facilitated processes is generally industry-specific and is rarely maintained over time. This is likely due to a number of factors including changing needs, potential liability, and organizational priorities. Yet, there is a continuing need to educate new CAP members on advisory processes across a spectrum of business and industrial sectors. Implementing best practices across an industry would be one way of ensuring a lasting sensitivity to addressing the concerns of business and community stakeholders in such areas as EH&S, sustainable development, and accountability. [R, I, F]

RECOMMENDATION: Hold a bi-annual multi-day or offsite retreat focusing on team development and communication to uncover and work through any difficult issues [I, F]. Also, we recommend creating more effective measurements by which to evaluate the effectiveness of the CAP in fulfilling its mission and ConocoPhillips in its relationship with the community.

RECOMMENDATION: Advocate that ConocoPhillips support industry-wide CAP formation through its trade associations [F]. Consider institutionalizing the CAP process within API (American Petroleum Association) and/or WSPA (Western States Petroleum Association) as a standard of practice for membership.

RECOMMENDATION: Approach ConocoPhillips and other industry members through the appropriate trade association with the idea of developing funding for the preparation and publication of a CAP manual to institutionalize best practices and assist industrial organizations generally in the development and implementation of CAPs.

RECOMMENDATION: Forward the final publication resulting from this research to the relevant trade associations. Follow up with them after acting on any of the recommendations contained within this report to show that the CAP is an effective tool and encourage them to mandate industry-wide CAP formation.

RECOMMENDATION: Encourage trade organizations to conduct research on behalf of the members into: what constitutes sustainable and measurable

relationships with the communities in which member companies do business, what topic areas are perceived to be of benefit to both member companies and communities, and the creation of white papers (general areas of focus not position) on the major areas perceived to need more information (e.g., sustainable development, climate change, carbon footprint reduction, alternative energy strategies, CAP cost-benefit analysis, etc.).

RECOMMENDATION: Educate the CAP on corporate decision-making practices and priorities, including decisions relating to facility upgrades and expansions, continuing economic viability, environmental protection, sustainability, community philanthropy, and other factors.

RECOMMENDATION: The facility manager and management team members can and do change over time. To maintain the ongoing effectiveness and benefits of the advisory process, the CAP members and community need to be aware of, appreciate the importance of providing periodic feedback to the company on the value of their investment in the CAP.

RECOMMENDATION: Educate the CAP and ConocoPhillips about the components of the DOW Jones Sustainability Index [F]. Conduct an evaluation of which sustainability measures are effective and under what circumstances, which could be maintained, and by whom? Conduct an assessment of which areas ConocoPhillips could improve in Dow Jones Corporate Sustainability Assessment Criteria listed below: (http://www.sustainabilityindex.com/07_html/assessment/criteria.html)

Dow Jones Sustainability Index		
Dimension	Criteria	Weighting (%)
Economic	Codes of Conduct / Compliance / Corruption & Bribery	5.5
	Corporate Governance	6.0
	Risk & Crisis Management	6.0
	Industry Specific Criteria	Depends on Industry
Environment	Environmental Performance (Eco-Efficiency)	7.0
	Environmental Reporting*	3.0
	Industry Specific Criteria	Depends on Industry
Social	Corporate Citizenship/ Philanthropy	3.5
	Labor Practice Indicators	5.0
	Human Capital Development	5.5
	Social Reporting*	3.0
	Talent Attraction & Retention	5.5
	Industry Specific Criteria	Depends on Industry

Next Steps:

An adoption and implementation plan of the recommendations contained in this report would be the logical next step in the process. The Team's hope is that the CAP and ConocoPhillips will review these recommendations through a facilitated dialogue, select those recommendations that will be most beneficial going forward, and consider how best to share what has been learned with others.

In Conclusion:

The positive themes here centered on communication, honesty, trust, and action. The themes for improving the CAP center on increasing visibility, increased/continued community outreach, and better preparing the community should an incident occur. Overall, the Team feels the CAP's success lies in the facts that (1) the CAP/ConocoPhillips are doing many things right, (2) the CAP/ConocoPhillips are open to learning how they can improve, (3) there is a high level of quality dialogue between all parties, and (4) there has not been a serious health/safety incident since ConocoPhillips took over the refinery (NEVER underestimate the value of health/safety).

It is apparent that the areas addressed in this report are all highly interrelated. A strength in one area also strengthens the others, while a weakness in an area is likely to spill over to affect others. A strong, clearly articulated mission, committed membership representative of the community and company, well understood structures and processes, and a strong connection to the community are vital ingredients to a healthy CAP. Implementation of improvement in any one area will necessarily improve the others.

Saybrook's research team would like to thank ConocoPhillips and the CAP for their contributions throughout this action research process. The Team is available to work with the CAP and ConocoPhillips to advance this research should you desire.

APPENDIX A

Questions for Further Research: What are the major questions going forward and how could the Team potentially work with the CAP on this?

- *Accountability: What are the measurements or characteristics that go into accountability?*
 - *How do these measurements relate to industrial sectors, to companies, to communities?*
 - *What tools or practices can be employed to measure and increase accountability?*
- *Motivations: What motivates CAPs and their members to become involved in working with their host companies to expand beyond a traditional focus on EH&S?*
 - *How do CAPs and companies become aware of what's out there such that the process is continuously re-energizing?*
 - *What causes people to want to work together and how do they identify what they want to (need to) work on in achieving best practices?*
- *Relationship-building: What are the baseline components of successful relationships (e.g., leadership, culture, knowledge, etc.)?*
 - *How do you infuse these "best practices" into CAPs that are operating at a status quo level and get them to stretch beyond where they are?*
 - *How are these components prioritized? Which is most critical, desirable, or unnecessary and how does one determine that?*
- *Resource-building: What are the baseline components to achieve a highly functional and contributory CAP (e.g., knowledge, access to expertise, etc.)?*
 - *Could resource-building and relationship development be taught through a regional or distance learning program to which interested individuals could enroll?*
 - *Is there a need for a cross-industry CAP-facilitator certification and/or coaching program and could Saybrook provide such a certification program to various industries? An advantage of having this within an academic environment is that it would tend to constantly look for new ways by which to expand beyond what currently exists, as well as maintaining its objectivity and relevancy .*
 - *Is there a need for a comprehensive and up-to-date manual of CAP "best practices" and organizational components?*
- *How can the CAP begin to address potential issues of economic development? As the United States moves toward energy independence, the reality is that oil production and the need for oil refineries will dramatically decrease over time. This could prove to be both a risk and an opportunity for the Rodeo-Crocket-Tormey community. It is a risk because if the ConocoPhillips refinery were to close the surrounding area could potentially become economically depressed. It is an opportunity because the community has the opportunity to work with ConocoPhillips to develop a plan for transitioning the*

refinery and its employees into whatever new business model emerges as most appropriate.

- *How can the CAP help to reduce security risks? Another area where the CAP can serve both Community and ConocoPhillips is by working to reduce the security risk of the refinery. Given that the refinery is located on an open bay and in close proximity to a large community it is a potential national security risk.*

APPENDIX B

Community Advisory Panels: Best Practices

Saybrook Graduate School & Research Center
Organizational Systems
Monday, September 29, 2008



1

Presentation Agenda

- Team Members
- Process Overview
- Presentation of Research Findings
- Presentation of Interview Findings
- Interactive Dialogue and Meaning-making Exercise
- Next Steps

2

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Team Members

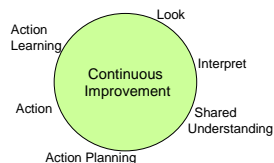
- Nancy Southern, Project Manager
- Tom Stewart, Project Coordinator
- Shuli Goodman, Research Team Leader
- Mary Henderson, Interview Team Leader
- Elizabeth Corona, Team Member
- Mary Edson, Team Member
- Jeff Wilfong, Team Member

3

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Action Research Methodology

- A collaborative process of inquiry and action
 - Look – Gather relevant information
 - Interpret – Analyze data, share understanding create a description/picture
 - Act – Co-create meaningful action, implement change
 - Reflect – Continuous consideration and dialogue about the effects of the action, action learning



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Research Process Overview

- Proposal and initial CAP meeting
- Form sub-teams (research and interview)
- Establish website for communication
- Ongoing team meetings
- Review literature and share findings
- Develop interview format, conduct interviews, and post summaries
- Prepare findings presentation to the CAP and company

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Research Process Next Steps

- Engage CAP members and company representatives
 - Review research, provide feedback, articulate actions towards change
- Summarize the dialogue and incorporate the findings into a final report to the CAP and company (Monday, October 27, 2008)
- Investigate opportunities and publicize the results of the research in academic and trade publications (ongoing)
- Present findings at the Saybrook Residential Conference in January or June 2009 and invite CAP and Company Participation

6

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Research Findings Where did we look?

- Focused internet and literature search of academic, governmental, and industry sources
 - Articles, publications, websites, books, journals, thesis'
- CAPs have a rich and mostly undocumented history
- Community panels, councils, boards, or groups typically form in response to major accidents and industry related disasters
- CAPs continue because they facilitate better communication and community relations
- The business case for CAPs appears indisputable, although primarily measured anecdotally

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Research Findings What did we find?

- The earliest reference to CAPs are in the chemical industry:
 - Creation of CAER (Community Awareness and Emergency Response) program after Bhopal incident in 1984
 - CAER committees were formed to foster awareness and communications with local officials and communities regarding facility operations
 - CAER program evolved into Responsible Care in 1988
 - CAER was the first Responsible Care code of practices in 1989
 - Industry driven with specific requirements for American Chemical Council (ACC) members regarding outreach to stakeholders (employees and public)
 - During the 1990s, ACC companies established multiple venues for communication with the public, including CAPs

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Research Findings What did we find?

- The International Council on Mining and Minerals (ICMM) was founded in 2001, emerging from the World Summit on Sustainable Development
 - Mining companies faced significant problems in reputation, sustaining profits, access to new assets, and maintaining investor and employee confidence
- ICMM collaborates closely with the UN Environmental Program (UNEP), UN Development Program (UNDP)
- ICMM Members often convene CAPs for:
 - Community Mapping
 - Problem Ranking
 - Options Assessment
 - Community Action Plans
- The mandate for ICMM extends beyond environmental, health and safety to sustainable environmental and economic development

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Research Findings What did we find?

- Within the oil and extraction industries, the earliest references to CAPs can be found in the mid-1990s
- Various PR disasters forced the oil and extraction industries to rethink their public image:
 - Boycott of Shell for operations in apartheid South Africa (1987)
 - Exxon Valdez oil spill (1989)
 - Occupation of Shell North Sea Brent Spar storage and loading facility (1995)
 - The Nigerian military hang environmental activist Ken Saro-Wiwa (1995)
- Most oil and extraction companies have "some" form of community advisory panels, boards, or councils, but they are not ubiquitous, nor are there industry standards either for their operation or for member companies through trade associations
- Driven by corporate reporting and shareholder activism, the notion of stakeholder engagement and transparency has emerged as central to managing corporate communications and risk

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Research Findings Lessons learned

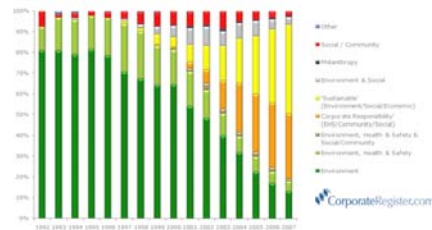
- Advisory Panels (CAPs/CACs)
 - Are critical to establishing successful community relations
 - Offer risk mitigation for both the corporation and the community
 - Have come under criticism as too comfortable in their relationship with their host company or too complacent in raising issues and concerns
 - Currently underutilized, but could be expanded in their role and functions
 - Tend to function locally (EH&S, schools, jobs), but have the potential to contribute at the corporate level, across industry, globally (climate change, sustainable practices)

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Research Findings Corporate reporting points to future trends

- Community stakeholders provide companies with the "license to operate"



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Research Findings From reaction to action

- A Widespread Focus on Sustainability
 - *Meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.*
Brundtland Commission Report (United Nations, 1987)
- Emerging cross-industry groups, such as GRI (Global Reporting Initiative) are institutionalizing that environmental, economic and social concerns, stakeholder engagement and transparent discussions of material relevance are critical to a well functioning corporation
- There are a number of toolkits, which could be leveraged by ConocoPhillips to develop their own framework for CAP
 - AccountAbility's AA1000 Framework (1999)
 - UNEP's Stakeholder Engagement Toolkit (2002)
 - ICM's Sustainable Development Toolkit (2005)

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Interview Findings Who did we interview?

- Local CAP members (6)
- Local ConocoPhillips company representatives (3)
- Facilitators working with other CAPs (3)
- Company representatives from other companies (1-Dow)

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Interview Findings What best practices emerged?

- Open and honest communication within the CAP
- Trusting relationships between CAP members and CP representatives
- Mutual support and transparency
- Action and follow-through
- Open to learning from difficult situations and mistakes
- Proactive – going beyond compliance
- Corporate citizenship - contribute to the community in a variety of ways that meet the needs of a variety of people

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Interview Findings: Community Outreach

Current Practices

- Successful events that raise money and address community needs
- Good neighbor agreement
- Community improvement projects
- Voice environmental and social justice concerns
- Access to and knowledge of the refinery

Recommendations

- Actively solicit community feedback – what are the questions & concerns?
- Prepare the community for environmental, health and safety issues (community specific communication strategies, scenario planning, and educating the community on refinery operations)
- Greater visibility at community functions
- Make use of connections with other organizations

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Interview Findings: Membership

Current Practices

- Good mix of people
- Concern for community and interest in supporting relationships between community and company
- New members largely recruited through existing members

Recommendations

- Clarify selection process
- Include representation from schools, youth groups, environmental, Tormey
- Develop recruitment process to reach beyond current constituency
- Review roles & responsibilities
- Establish more responsibility than attending monthly meetings

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Interview Findings: Ways of Engaging/Working Together

Current Practices

- Effective, professional facilitation
- Agendas well developed
- Effective brainstorming
- Consensus seeking
- Open communication
- Trust
- Accountability

Recommendations

- More time for depth discussion
- Clarify decision-making process
- Multi-day retreat
- Create appropriate tension between CP and CAP
- Include outsiders (presenters/other CAPS)

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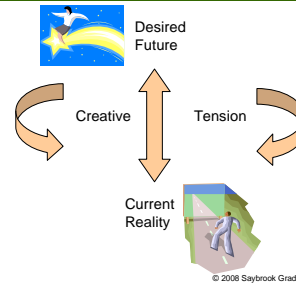
Meaning Making- Guiding Questions

- What does the data tell us about the strengths of this CAP?
 - Are there additional strengths that you want to emphasize?
- Where do we want to focus on the suggested improvements?
 - Which improvements will help us continue to increase our effectiveness?
- What value might we gain from revisiting the mission and vision of the CAP in light of this research?

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Creative Tension



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Next Steps

- Summarize the dialogue and incorporate the findings into a final report to the CAP and company (Monday, October 27, 2008)
- Investigate opportunities and publicize the results of the research in academic and trade publications (ongoing)
- Present findings at the Saybrook Residential Conference in January or June 2009 and invite CAP and Company Participation

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Thanks All Around!!!

- Helping communities and CAPs function more effectively
- Contributing to student learning in a practical research setting
- Developing scholar practitioners at Saybrook
- Sharing your perspective and contribution as members of your community



ConocoPhillips

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APPENDIX C

Survey Questions: ConocoPhillips Grant Research Project

- 1a. (For CAP Members) How long have you been a member of the CAP? I understand that CAP membership is voluntary and possibly time-consuming. What motivated you to join the CAP?
- 1b. (For ConocoPhillips employees) How long have you been involved with the CAP process? How does the CAP relate to your job function?
- 1c. (For Both CAP and ConocoPhillips) What keeps you coming back to the monthly meetings?
- 2a. What, in your opinion, is the most significant contribution the CAP has made to the community?
- 2b. What are future significant contributions the CAP could make to the community?
- 2c. What, in your opinion, is the most significant contribution the CAP has made to ConocoPhillips?
- 2d. What are future significant contributions the CAP could make to ConocoPhillips?
- 3a. (For CAP members). How do you solicit feedback from the community to take back to the CAP meetings?
- 3b. (For CAP members) What challenges do you experience in getting feedback from the community?
- 3c. (For ConocoPhillips employees). What actions has the company taken based on the feedback provided by the CAP members?
- 3d. (For ConocoPhillips employees). What actions provided by the CAP members has the company struggled to put into practice?
4. The record of the company and the CAP's collaboration in sponsoring community events such as the golf tournament and the multi-cultural celebration appear to be very successful. Is this an accurate statement? In your opinion, what methods can the CAP use to be most effective in community outreach and collaborations of this type – or others?
- 5a (For CAP members) What do you see as the responsibility of the company to the community?
- 5b. (For CAP members) What are the responsibilities and roles of CAP members and the community in regards to ConocoPhillips success?'
- 5c (For ConocoPhillips members) What do you see as the responsibility of the community to the company?

5d. (For ConocoPhillips members) What are the responsibilities and roles of ConocoPhillips in regards to community's success?'

6a. Tom Stewart circulated for our group to review was a worksheet entitled "METHODS TO ACHIEVE EFFECTIVE INTERACTION BETWEEN THE CAP AND THE COMPANY." It lists several practices. As I read them off, please let me know if they are 1) Used 2) Effective and 3) Could be more effective

- a) using team building exercises
- b) discussing consensus building as a decision-making process
- c) establishing a team agreement
- d) setting an agenda
- e) using a seating arrangement
- f) using brainstorming sessions
- g) conducting weighted voting in the decision-making process.

6b. What other approaches or techniques does the CAP use in facilitation?

7. Please name the three things that are working well that you would share with another CAP?

8. Reflecting on the makeup of the CAP and the ConocoPhillips representation and looking at the key stakeholders for the company and the community, is there any group that is NOT currently represented?

9. What specific practices do you envision taking the CAP to a more productive level?

10. How do you see this research process helping to benefit the CAP?