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Co-Founder and Director, I2S
Crawford School of Public Policy
The Australian National University

Exploring the 'S' in ESG

www.nextgenengagement.org

IAIA Webinar
16/17 February 2024





Acknowledgement of country

Acknowledgment of the Wurundjeri and Boon Wurrung peoples of the Kulin Nation, Traditional Custodians of Naarm, the place we know as Melbourne, Australia.

They have maintained connection to this unique place for more than 2,000 generations.

We pay our respects to their Elders, past, present and emerging.



What does ESG mean to you?



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Moderate



Visual settings



Edit



When poll is active respond at PollEv.com/i2s



What does ESG mean to you?

Nobody has responded yet.

Hang tight! Responses are coming in.

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About I2S

The world's leading social science research institute working to transform the relationship between major projects and communities. Home of the Next Generation Engagement program. Based in the Australian National University Crawford School of Public Policy.

Our aims:

- inform improved community engagement
- address cumulative impacts of major infrastructure projects
- support improved social risk management
- shape public policy for societal benefit.

I2S works in direct partnership with industry, government, civil society and communities.

Committed to highly engaged research that values the close, effective and meaningful working-together of academics and non-academics to generate new knowledge and practice transformation.

Current industry supporters

Our industry partners work with us every step of the way to research solutions to their most pressing challenges.

Major partners:



**Queensland
Government**



Government of South Australia

Department for Infrastructure
and Transport



Transurban

Supporters:



Today's Expert Panelists



Dr Ruth O'Connor
Research Fellow
Institute for Infrastructure in Society
The Australian National University



Dr Emerson Sanchez
ARC Research Fellow
Institute for Infrastructure in Society
The Australian National University



When you leave this webinar, you will know

- What 'ESG' is and why it matters in the contemporary project environment
- How ESG 2.0 is being defined and regulated
- Why the 'S' in ESG is critical to sustainable futures
- The ways in which the 'S' in ESG is commonly assessed
- Specific approaches and opportunities to improve attention to social concerns within major projects.



three little **letters**

three **BIG** questions

what?

ESG

Environmental, social and governance concerns

A framework for formalizing and legitimating corporate, government and multilateral bodies' attention to and prioritization of environmental, social and governance concerns, as compared to a traditional shareholder capitalist concentration on financial matters.



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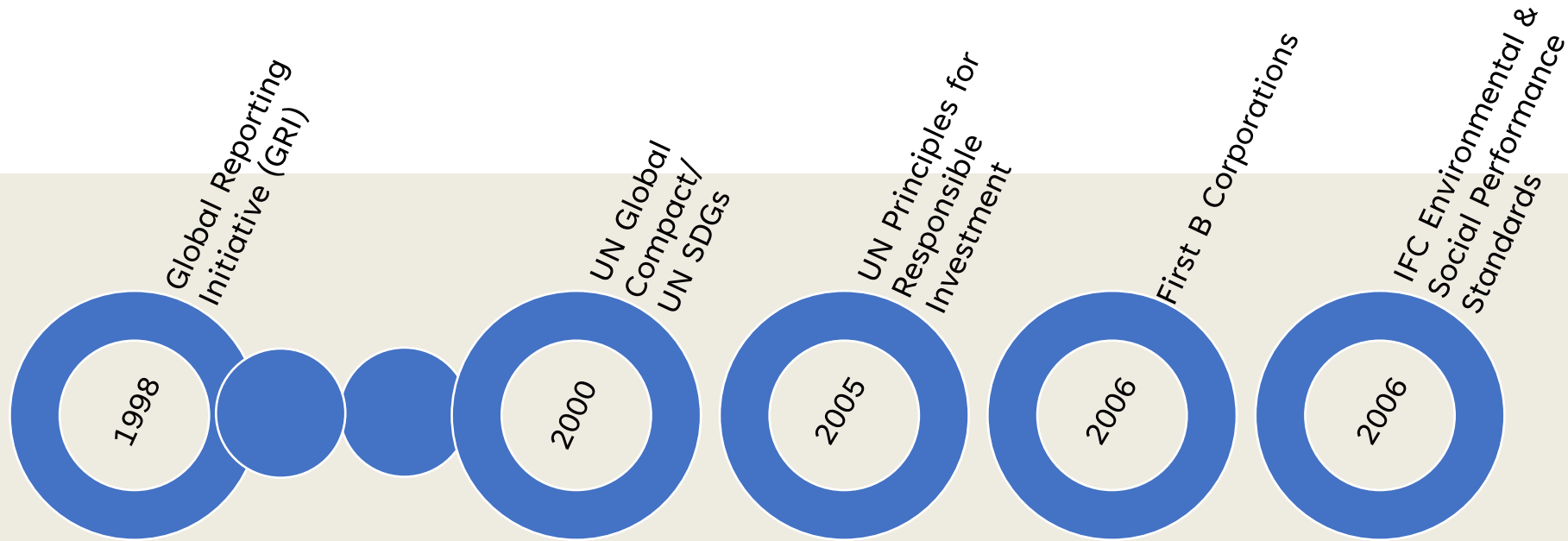
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ESG renaissance

Stakeholder Capitalism: ESG1.0





ESG2.0: Key drivers

Global interconnectedness

- Accelerating globalization: people, finance
- Increased and wider-spread internet access and use
- Increased global mobility

Contemporary crises

- Covid-19 pandemic
- Climate crisis
- Geopolitical conflict

What does ESG2.0 look like?

- **Government-based initiatives/Regulatory requirements**
example: Net Zero Targets: e.g. Australia's 2050 Net Zero Targets (2023) and related climate risk disclosures
- **Investor frameworks**
examples: World Bank Environmental and Social Framework (2016)
ADB Environmental and Social Framework (Draft Consultation Version, 2024)
- **Transnational standards**
example: European Sustainability Reporting Standards (European Commission 2023)



Checking in

- What 'ESG' is and why it matters in the contemporary project environment
- How ESG 2.0 is being defined and regulated

why?



A range of social and societal concerns that affect individuals', groups' and communities' livelihoods, wellbeing and opportunities for socio-economic participation.

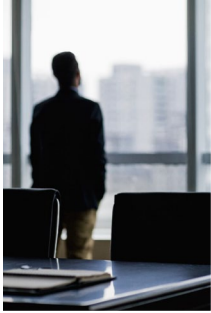


Six Key Themes for 'S'

- Indigenous and First Nations Peoples' rights and concerns
- Socio-economic inclusion
- Social value
- Wellbeing
- Resilience
- A fair and just transition.



Why 'S'? Three Perspectives



Business case

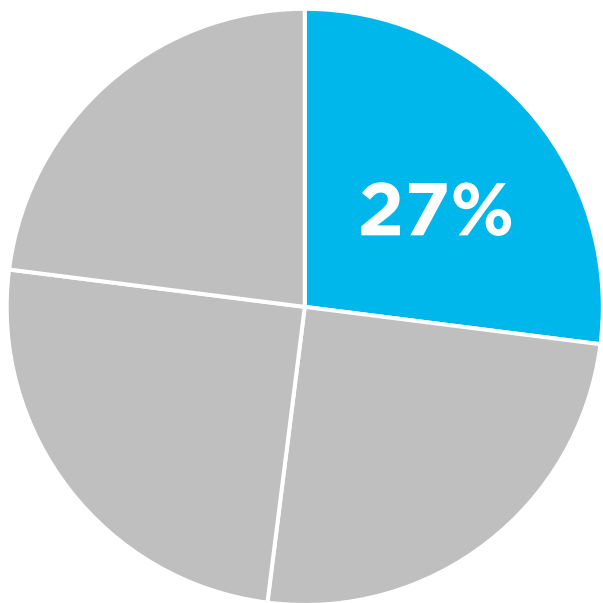


Policy case



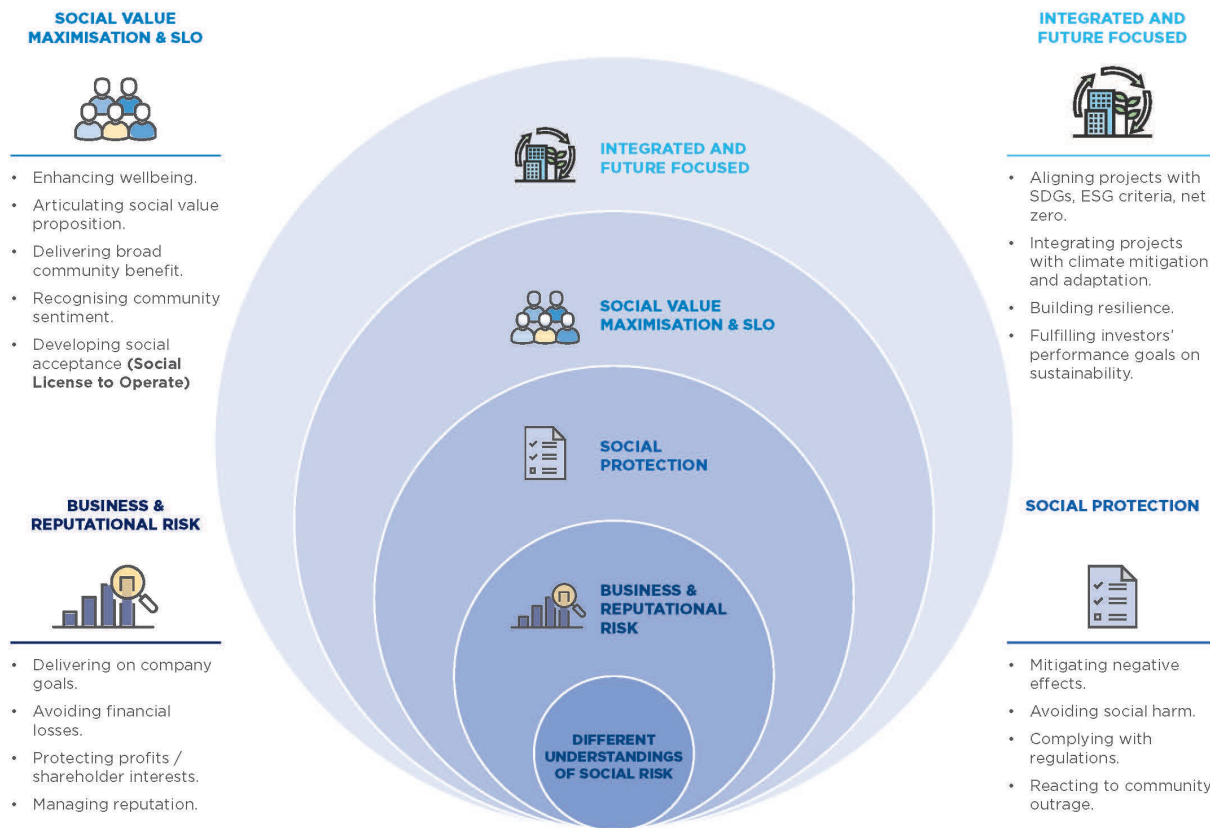
Communities
case

Managing 'Business and reputational risk' is the most common way of understanding the 'S' (at least in Australia)



Social Value (25%), Integrated & Future-focused (25%) and Social Protection (23%)

n=56



Business case

Costs

- Financial costs of getting the social piece wrong

Acceptance

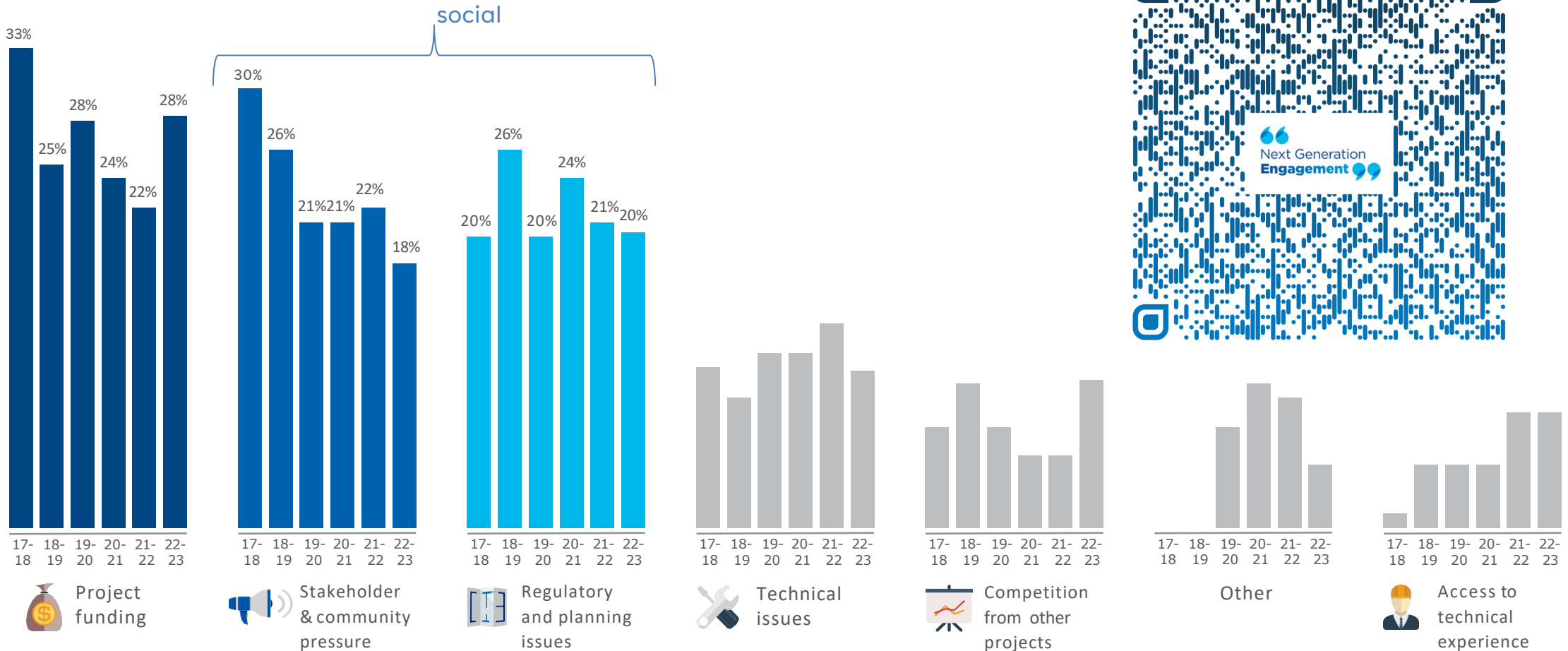
- Social licence to operate

Future business

- Reputation



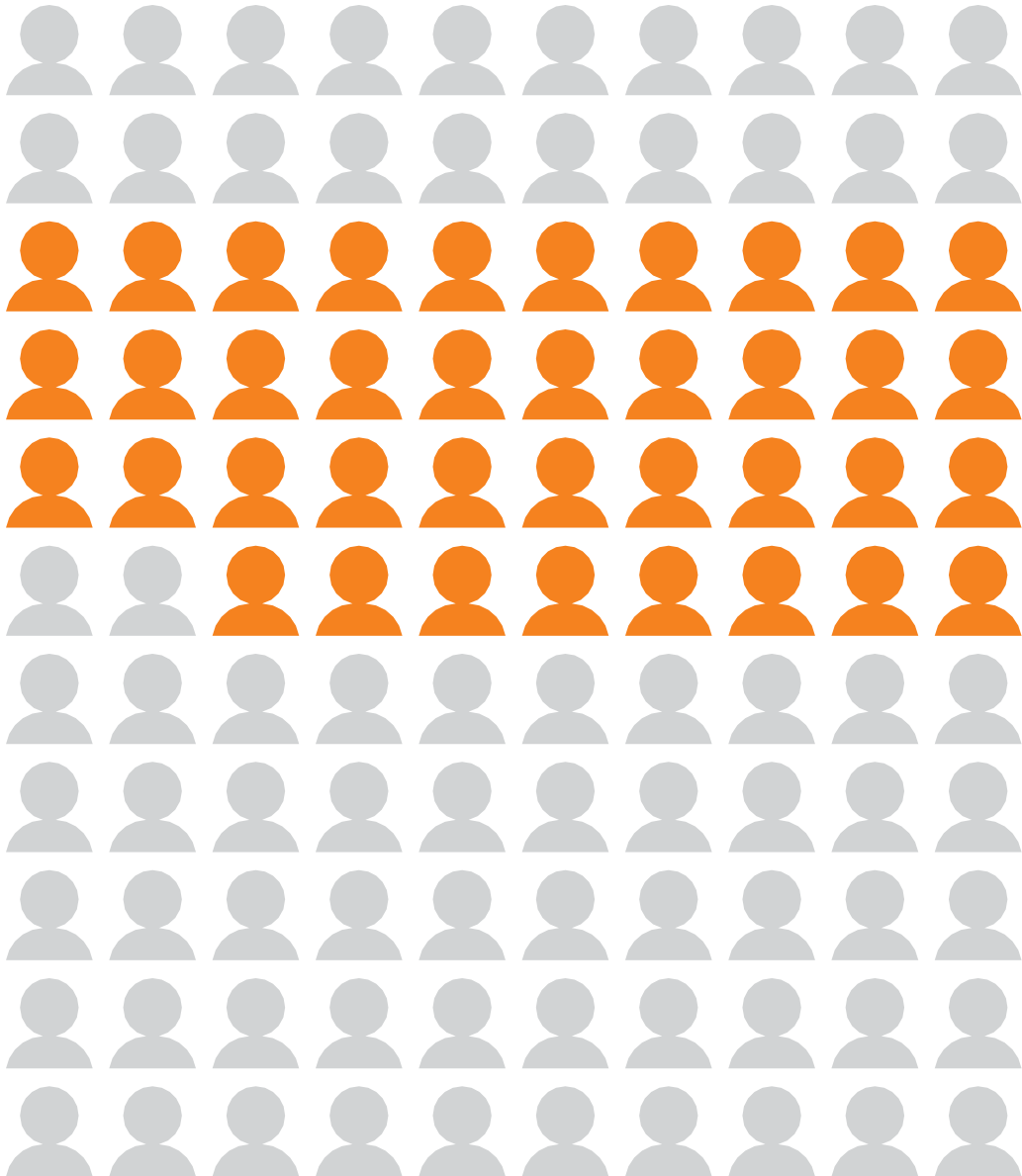
Since 2018 ‘stakeholder and community pressure’, ‘regulatory and planning issues’ and ‘project funding’ make up the top three most influential factors to project delays or cancellations in Australian infrastructure projects, according to industry professionals.



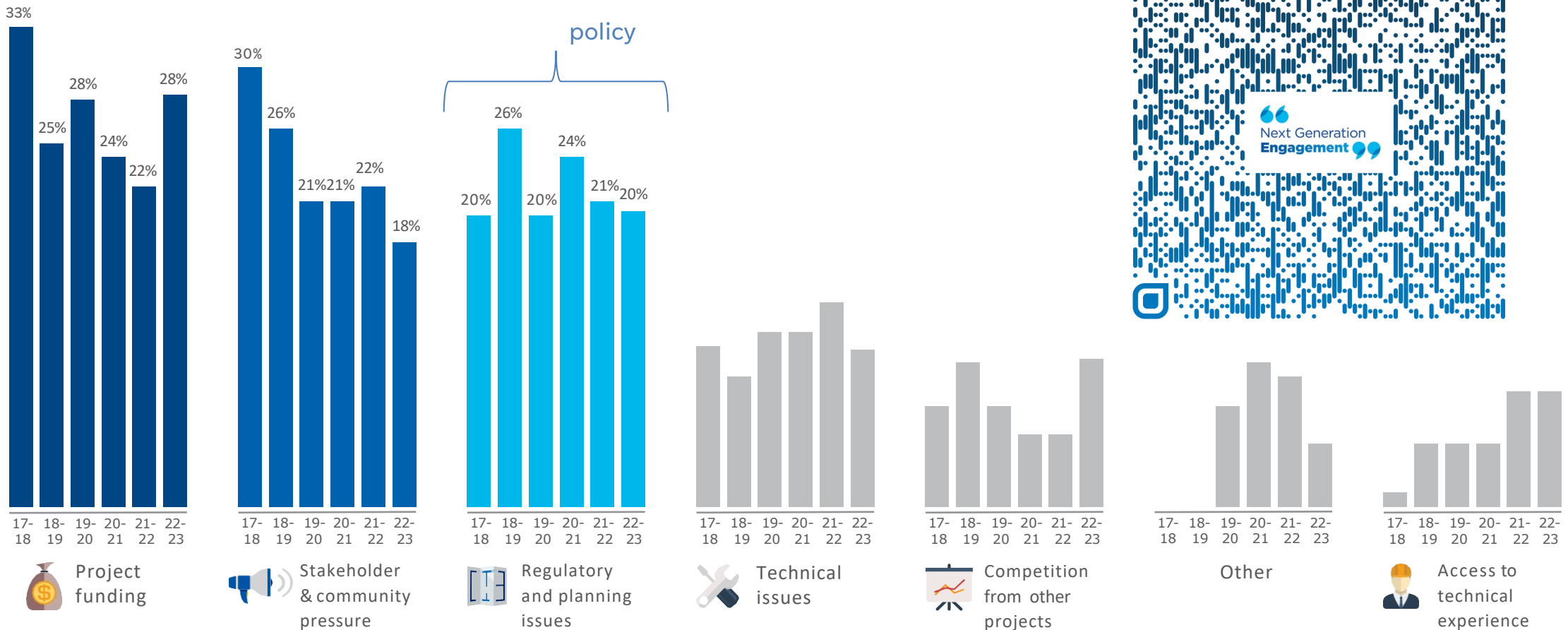
Business Case

38% of respondents reported **‘a good to great deal’** of adverse stakeholder pressure played a role in delays or cancellations in 2022.

~ANU I2S 6th Annual State of Infrastructure and Engagement, 2022-2023.

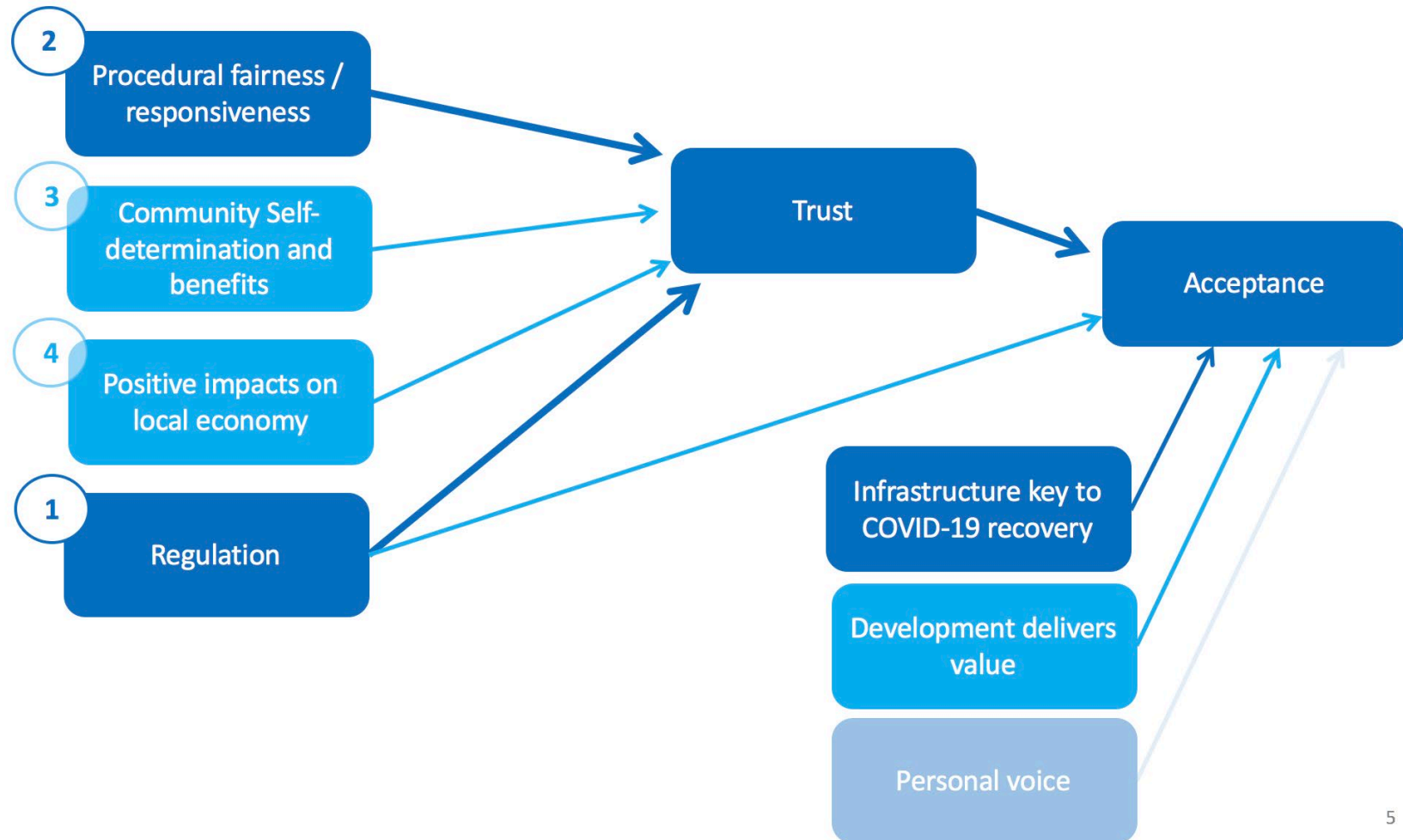


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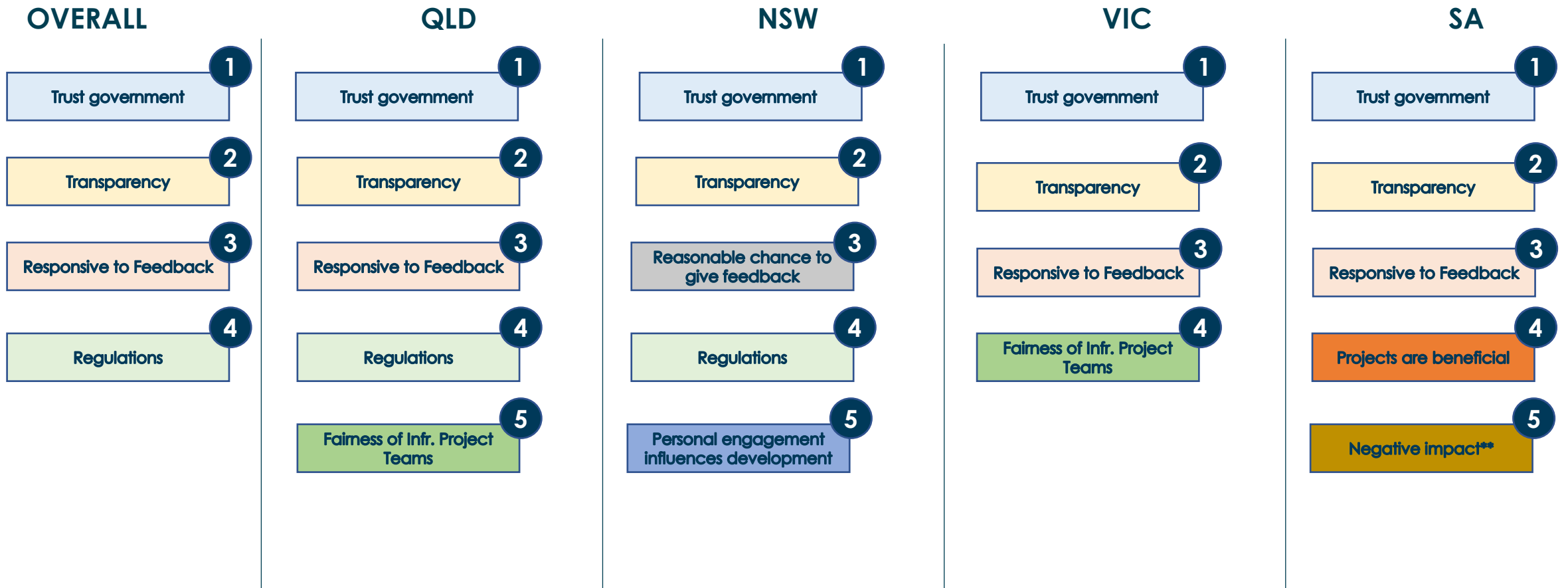
Policy case

National Trust Model: Australian infrastructure sector



Policy case

TRUST IN INFRASTRUCTURE DEVELOPERS TOP DRIVERS: comparisons by Australian East Coast state



LEGITIMACY

CREDIBILITY

TRUST

WHY DOES THE 'S' MATTER FOR POLICY?

MODELLING AND MEASURING THE SOCIAL LICENSE TO OPERATE: FRUITS OF A DIALOGUE BETWEEN THEORY AND PRACTICE

Robert G. Boutilier
Boutilier & Associates
Cuernavaca, Mexico

Ian Thomson
On Common Ground Consultants
Vancouver, Canada

Abstract:

This outline traces the development of a conceptual model of the social license to operate. The development process was a conversation between theory and practice over a number of years. An original study of the levels of acceptance of a local mine across a 15 year period led to the conceptualization of the social license presented in the Thomson and Boutilier (2011) chapter. That was followed by attempts to measure the social license quantitatively in a survey of the stakeholder of the same mine. On a 5-point scale, representatives of stakeholder group for the same mine rated their agreement or disagreement with an initial pool of two statements. Stakeholders' verbal statements of support or opposition provided criterion for the whole set of statements as an additive scale of the social license. However, this meant to measure Thomson and Boutilier's levels of social license did not conform to the hypothesized cumulative nature of the levels. Over the past three years, the pool of statements was refined in studies of stakeholder networks in Australia, Bolivia, and Mexico. A factor analysis revealed four factors that did conform with the cumulative nature of the social license, but which, in the process, suggested a modification to the original model. In response to the gap between theory and practice, we present the modified model of the social license to operate. This model addresses a chronically neglected aspect of the social license to operate of the corporation in fostering more equitable social license to operate in developed and developing countries.

The paths to social licence to operate: An integrative model of community acceptance of mining

Kieren Moffat*, Airong Zhang¹

^{*}Commonwealth Science and Industrial Research Organisation, PO Box 883, Kenmore, QLD 4069, Australia

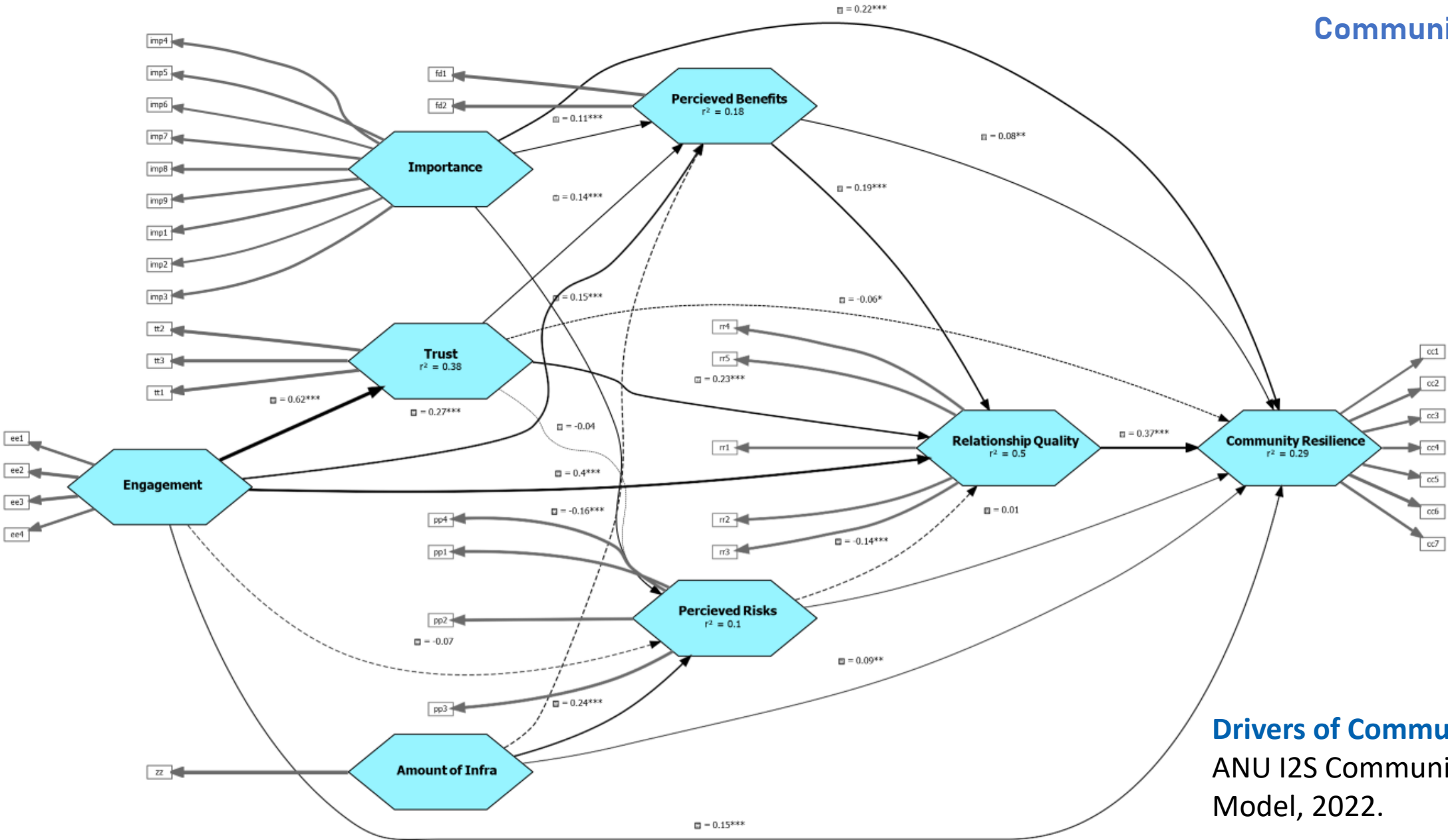
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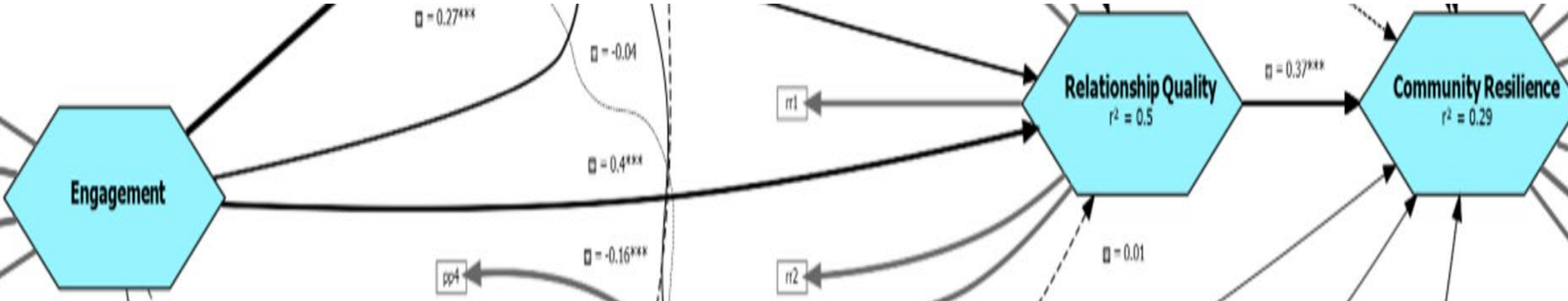
ABSTRACT

We propose that to understand how a social licence to operate is needed to take account of the processes mining companies use to present research measured and modelled the critical elements of a longitudinal study in an Australian mining region. The results show that trust with local communities was crucial for mining companies to operate. The mining operation's negative impacts on social licence to operate, perceived contact quality and procedural fairness in dealing with the community's acceptance of the mining operation. Our results highlight the importance of fair treatment of mining companies with communities, alongside mitigation of operational impacts on social licence to operate.



Drivers of Community Resilience:
ANU I2S Community Resilience
Model, 2022.

Communities Case



Relationship quality, guided by engagement, is the *main driver* of community resilience, as it relates to major infrastructure projects in Australia.

Communities Case

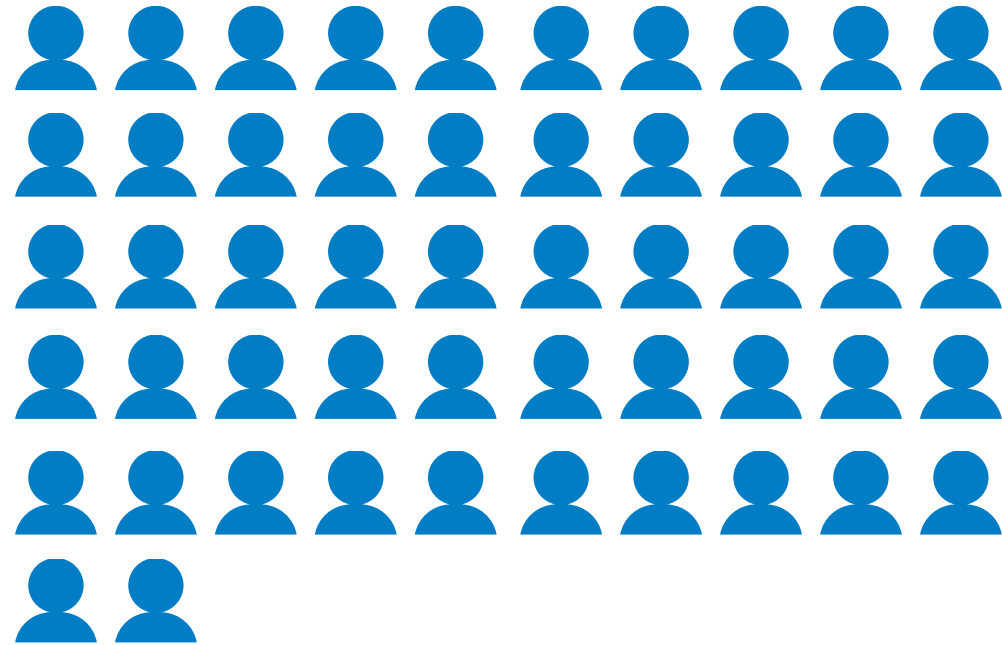
Infrastructure development should contribute to social inclusion

~according to infrastructure sector experts surveyed.

ANU I2S 6th Annual State of Infrastructure and Engagement, 2022-2023.

n=50

52% Agree



Communities Case

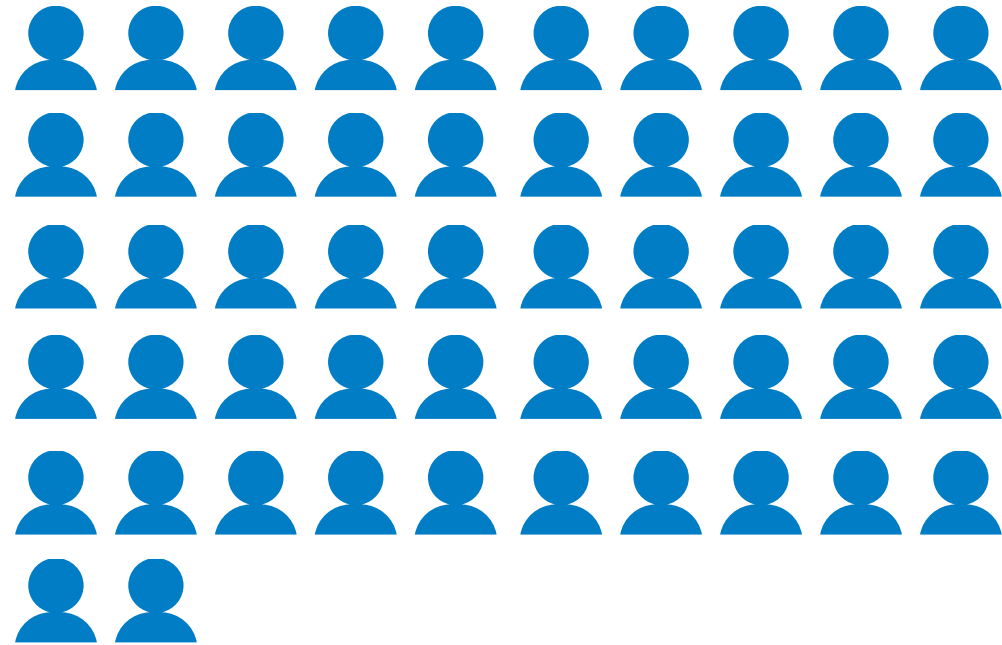
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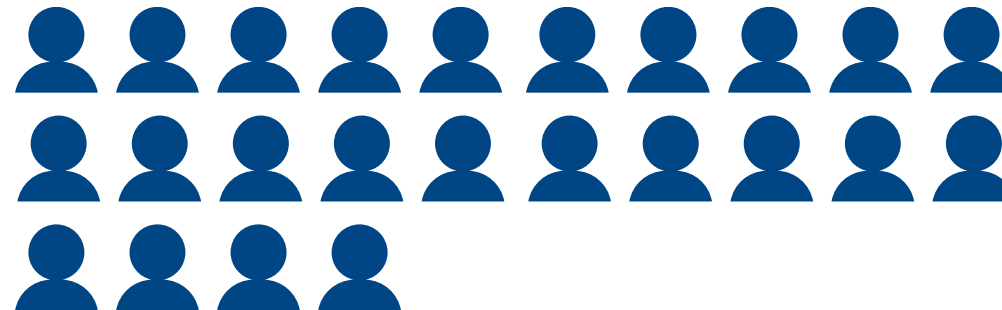
ANU I2S 6th Annual State of Infrastructure and Engagement, 2022-2023.

n=50

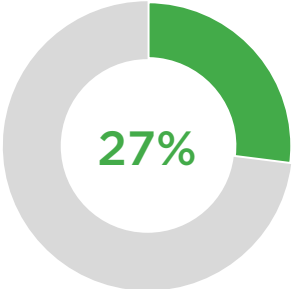
52% Agree



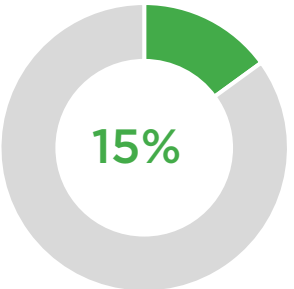
24% Strongly Agree



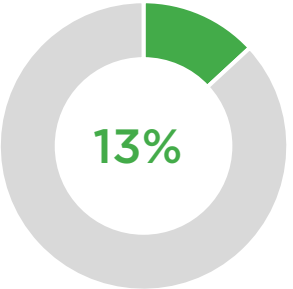
Top 5 most important types of social value creation for major infrastructure projects



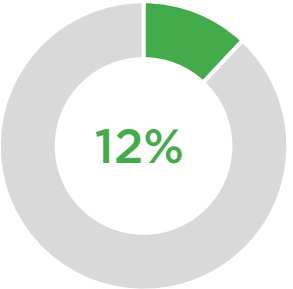
Access to infrastructure and services



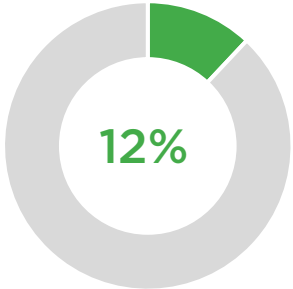
Housing: Affordability and choice



Wellbeing, safety and resilience



Mobility: Accessibility and choice



Skills and employment

Why does the 'S' matter?

Business Case	Policy Case	Communities Case
Cost	Trust	Resilience
Acceptance	Legitimacy	Social inclusion
Future business	Credibility	Social value



Checking in

- Why the 'S' in ESG is critical to sustainable futures

how?



Cancel

 Settings



Moderator



Checking for new responses...



Challenges to integrating the 'S'

- Blurry boundaries (causality)
- Cumulative effects
- Under-resourced area



**So how can the 'S'
be better integrated
and addressed in
ESG?**

- Systematic
- Assessable
- Comparable

Impact
Assessment
is a good
start



[Home](#)

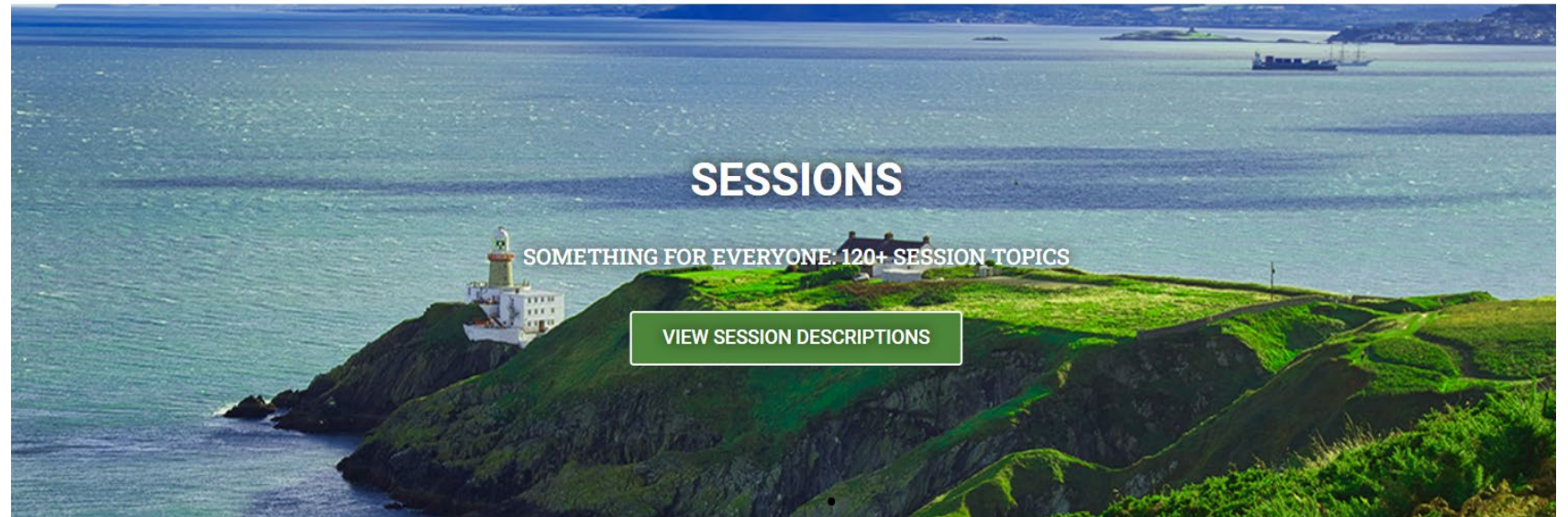
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SESSIONS

SOMETHING FOR EVERYONE: 120+ SESSION TOPICS

[VIEW SESSION DESCRIPTIONS](#)

IAIA24

43rd Annual Conference of the International Association for Impact Assessment

24-27 April 2024

The Convention Centre Dublin

Dublin, Ireland

JOIN US.

TOGETHER, WE CAN SHAPE A JUST
TRANSFORMATION.

SOCIAL IMPACT ASSESSMENT

SIA should provide evidence-informed guidance, incorporating community perspectives, to mitigate or prevent negative social impacts while enhancing project benefits and contributing to sustainability.



Environmental and Social Frameworks

ESF

World Bank ESF (2016)

ADB Draft Consultation ESF (2024)

EBRD Environmental and Social Risk Management (2019)



PRINCIPLES
AND
PERFORMANCE
STANDARDS

World Bank and JICA: Quality Infrastructure Investment
IFC Environmental and Social Performance Standards
ISO26000
OECD Blue Dot Initiative



The IEE Standards

Engagement excellence delivers outcomes that are:

- Community-centred
- Co-ordinated
- Cost-effective.



A WORLD-FIRST RESEARCH-DERIVED STANDARD FOR ENGAGEMENT EXCELLENCE SPECIFICALLY FOR THE INFRASTRUCTURE SECTOR.

DESIGNED WITH INDUSTRY. VALIDATED BY COMMUNITY.

The IEE Standards can be used to support:

- Planning
- Procuring
- Monitoring
- Performance Evaluation
- Performance Improvement

The IEE Standards are comprised of:

- **Fundamentals:** Outline the three essentials that must be present in order for Infrastructure Engagement Excellence to be achieved. They are the essentials that need to be in place to achieve Infrastructure Engagement Excellence.
- **Standards:** Outline the 10 characteristics of Infrastructure Engagement Excellence
- **Indicators:** allow for assessment of the Standards' presence in practice.

SOCIAL RISK MANAGEMENT

SOCIAL VALUE MAXIMISATION & SLO

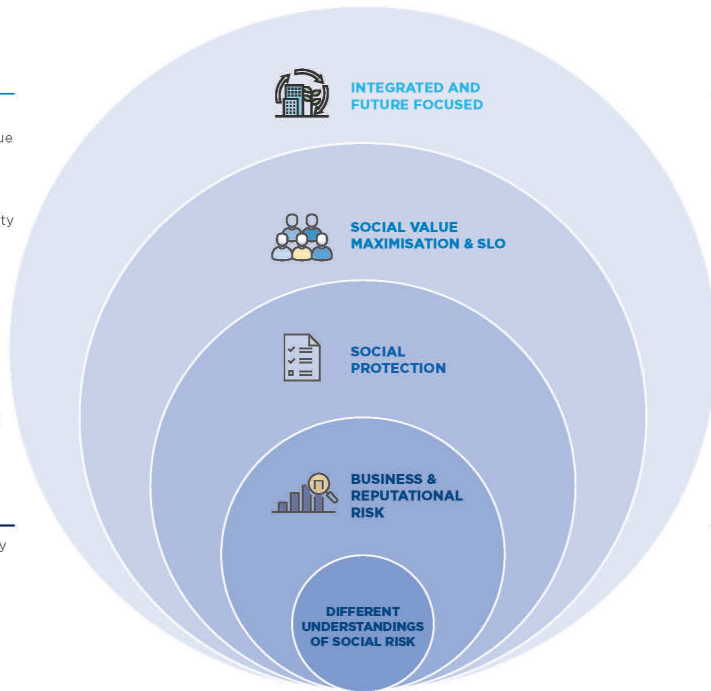


- Enhancing wellbeing.
- Articulating social value proposition.
- Delivering broad community benefit.
- Recognising community sentiment.
- Developing social acceptance (**Social License to Operate**)

BUSINESS & REPUTATIONAL RISK



- Delivering on company goals.
- Avoiding financial losses.
- Protecting profits / shareholder interests.
- Managing reputation.



INTEGRATED AND FUTURE FOCUSED



- Aligning projects with SDGs, ESG criteria, net zero.
- Integrating projects with climate mitigation and adaptation.
- Building resilience.
- Fulfilling investors' performance goals on sustainability.

SOCIAL PROTECTION



- Mitigating negative effects.
- Avoiding social harm.
- Complying with regulations.
- Reacting to community outrage.

ANU I2S 3Ps Social Risk Framework



Place
project location and associated local communities



Proponent
incorporating those responsible for funding, designing and delivering projects



Project
considering the size, sector, cumulative project environment and level of controversy associated with a particular project




IAIA24 Training

Social Risk Management for Major Projects: Tools and Frameworks to Support Just Transformations

Join us

 2 days
22-23 April 2024

 The Convention Center
Dublin, Ireland

More Information:

 IAIA24

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Course and registration details



Final check-in

- The ways in which the ‘S’ in ESG is commonly assessed
- Specific approaches and opportunities to improve attention to social concerns within major projects.



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