

A photograph of a modern, multi-story building with a large glass facade and brick accents. The building is identified as the Georgia Tech Ray C. Anderson Center for Sustainable Business. In the foreground, there is a paved plaza with several white patio umbrellas and a person walking. The sky is blue with some clouds.

Georgia Tech Ray C. Anderson Center  
for Sustainable Business  
Scheller College of Business

# Business-Community Engagement (CE)

## Challenges & Opportunities in the Extractives Sector

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Ray C. Anderson





# Agenda

- Business in Communities
- Evolution of “Social Performance”
- Social Performance Elements & CE
- Community Engagement Challenges & Lessons Learned

# Business in Communities

# Aligning Two Impactful Georgia Tech Initiatives

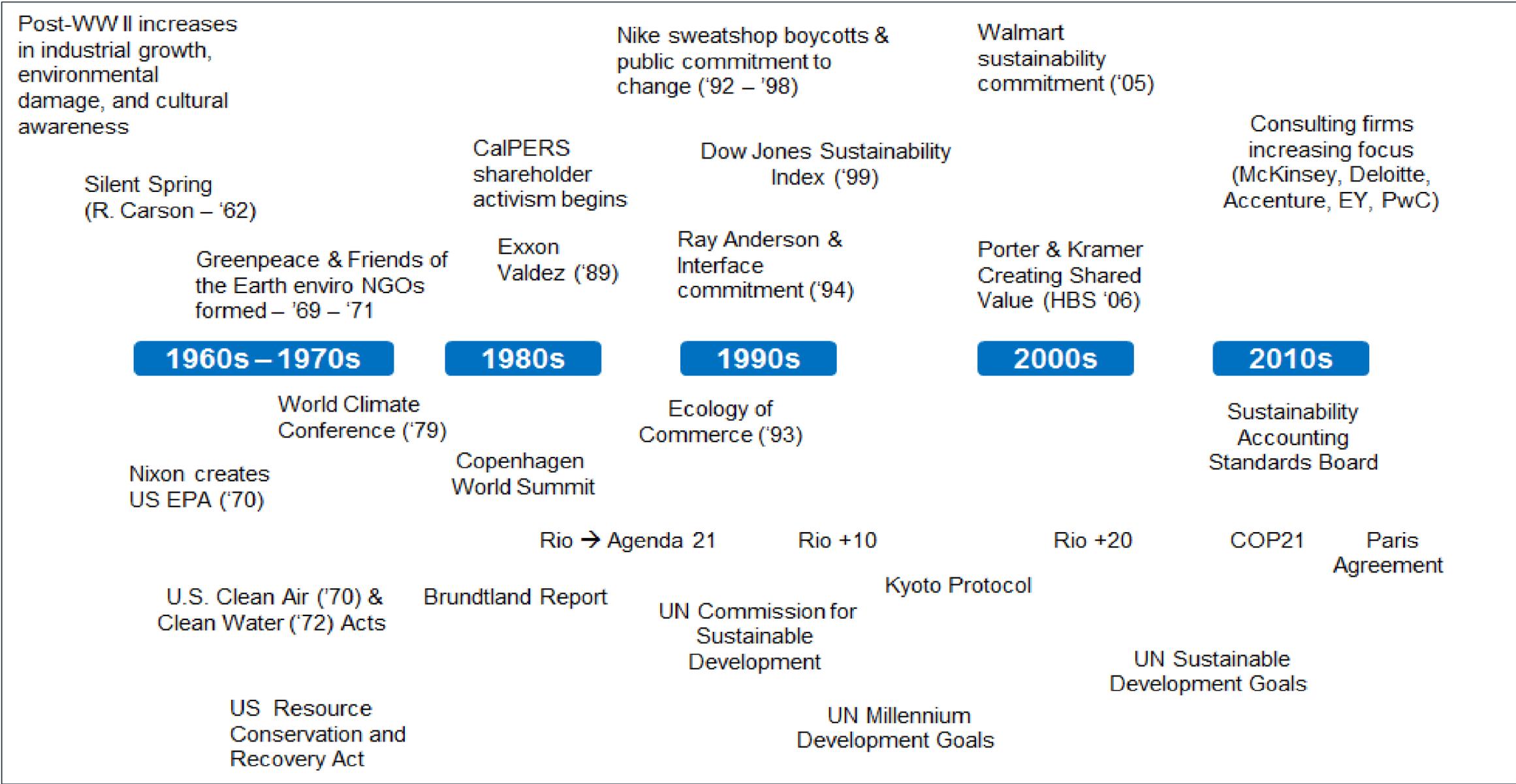
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Business-  
Community  
Engagement

Serve Learn  
Sustain (SLS)

- Sustainability integration & innovation in education & business
- Linking teaching, research, and action to create sustainable communities

# The role of business in communities continues to evolve in response to both societal and commercial pressures



## Business-Community Relationship Trajectory

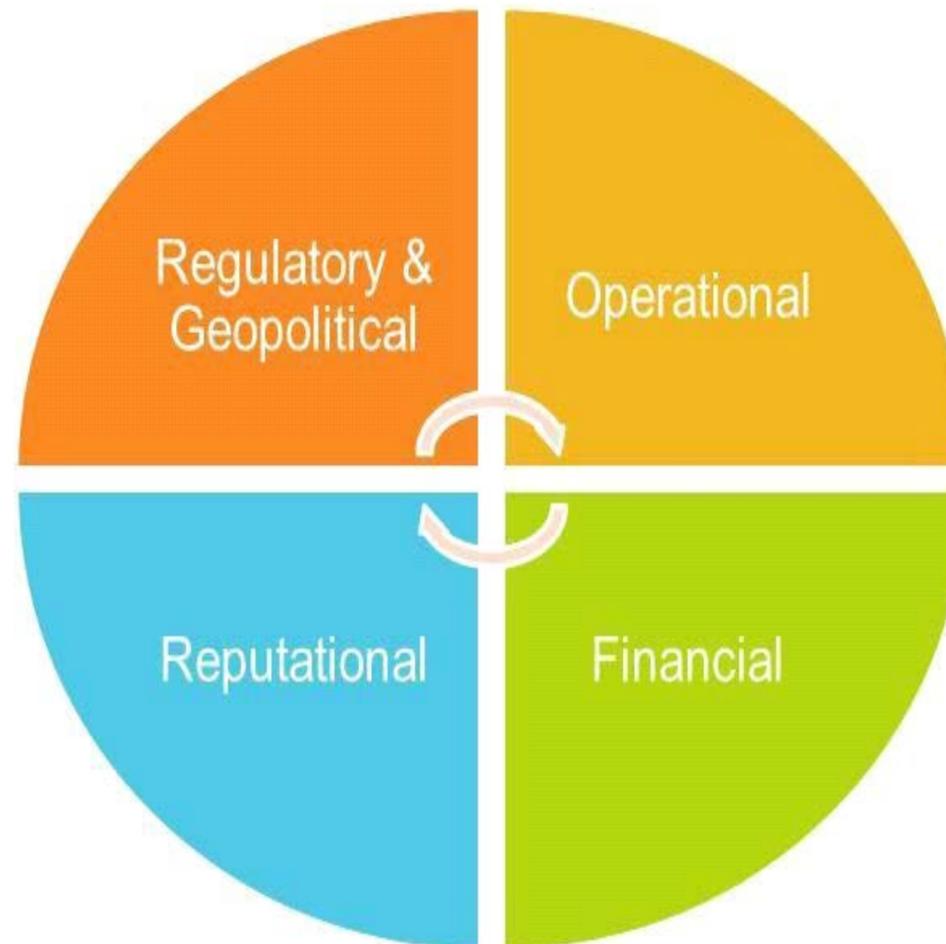


# Extractives Industry Increasingly Recognizes Community Impacts on Social License to Operate & Bottom Line

- **Issues Intersect Environmental and Social Domains**
- **Stakeholders are local, regional, and global**
- **Covers “compliance” and beyond**

## Illustrative Sustainability Issues & “Bottom-Line Impacts”

- Human rights
- Indigenous peoples
- Corruption/bribery
- Community unrest
- Security
- Labor/ working conditions
- Labor migration
- Road safety

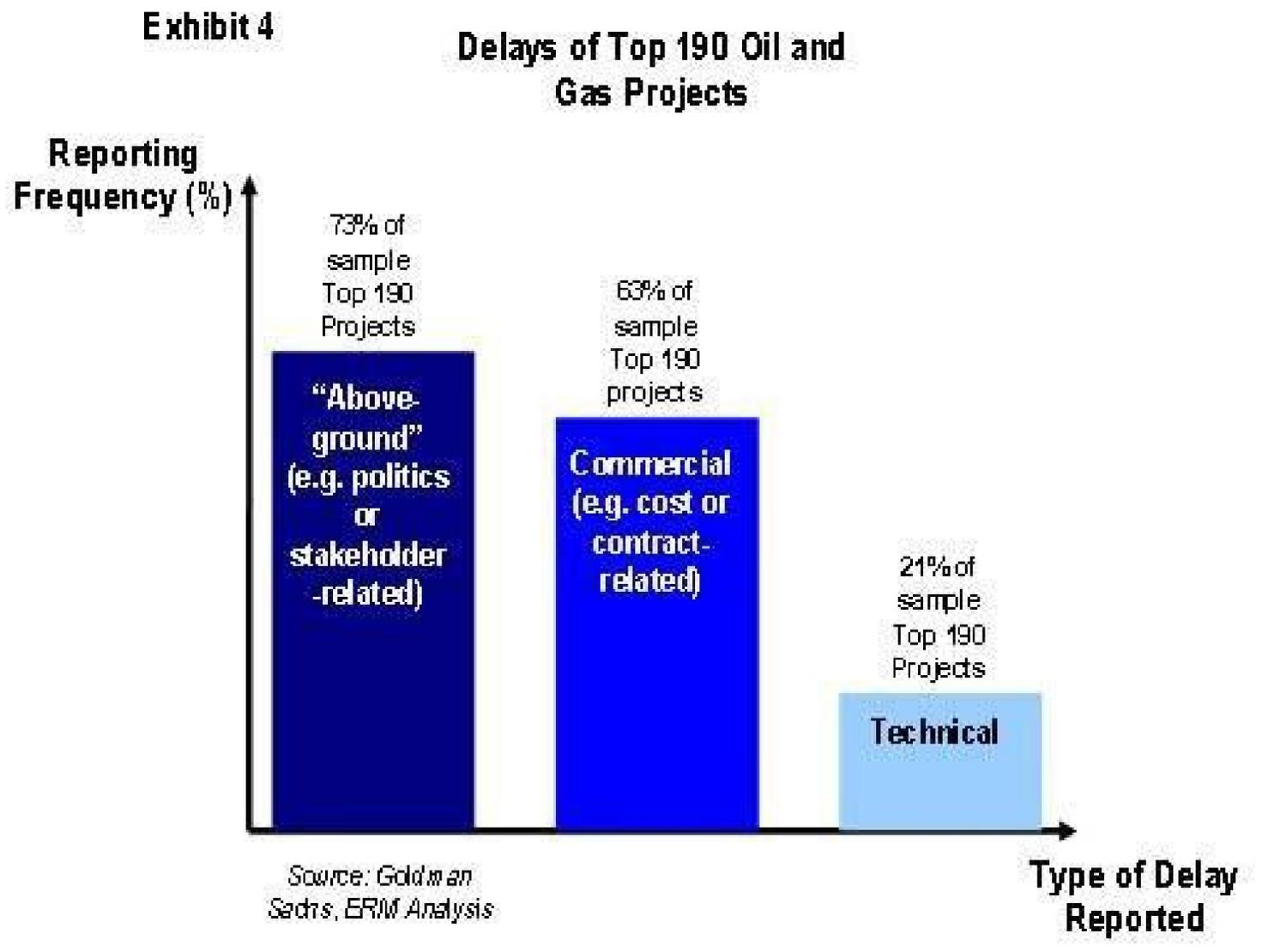


- Climate and energy
- Material & chemical toxicity
- Water
- Waste
- Land use and biodiversity
- Raw material use
- Air quality

# Attributes of Extractives Projects

- In the “upstream”, activities tied to location of the resource
- Often located in remote or challenging locations with minimal infrastructure
- Substantial physical footprint, processing facilities, pipelines, etc.
- High degree of technical and commercial uncertainty, particularly in early stages of projects
- Stakes are often very high (single projects constituting heavy portion of GDP)
- Interaction with communities is significant (for mining and onshore oil/gas)
- For these/other reasons, there are lots of lessons learned from extractives projects for other industry sectors

# Evidence of Social Impacts on the Bottom Line

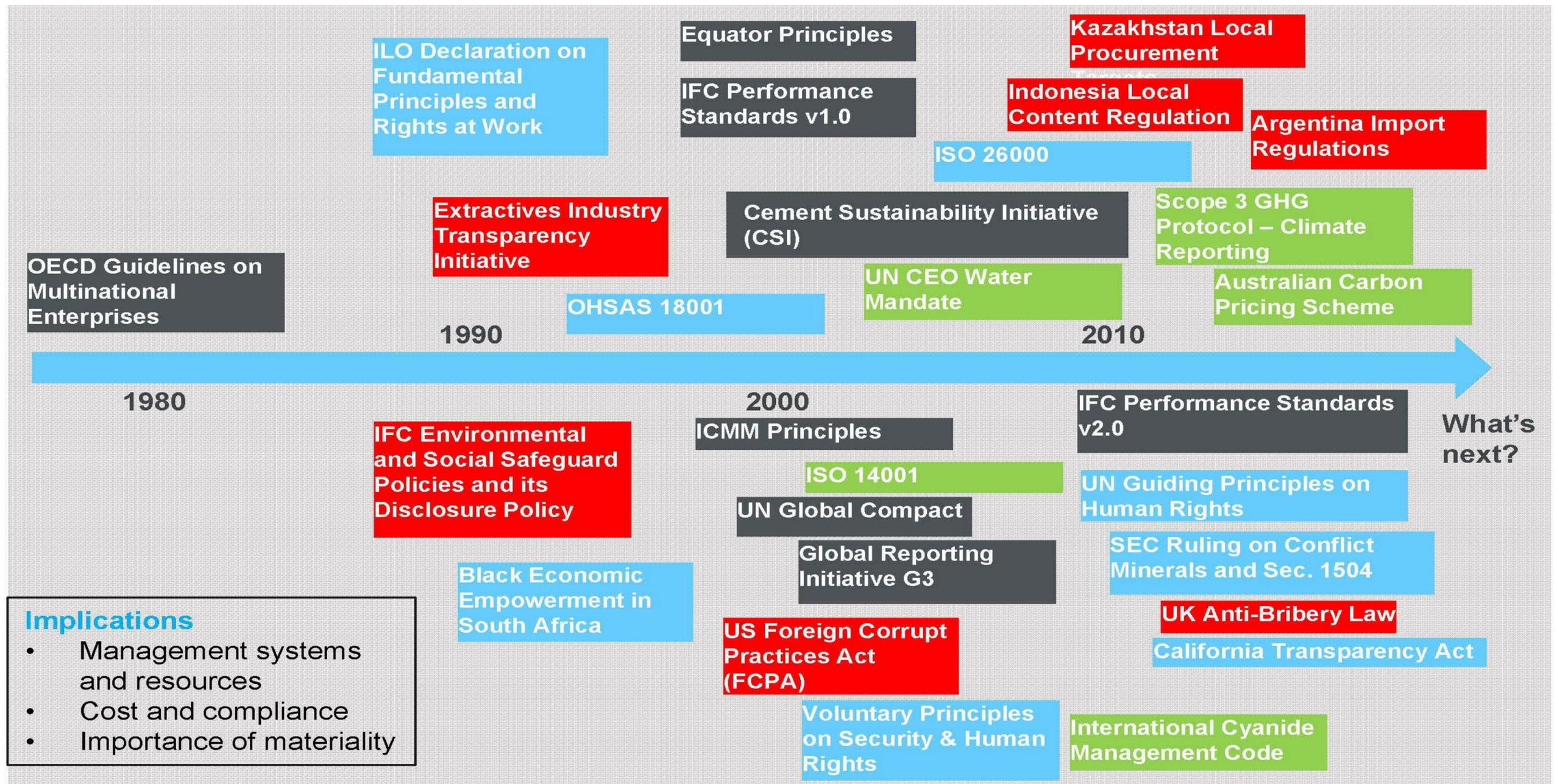


- Rio Tinto in Sub-Saharan Africa estimated EV of sustainability investments at more than \$318 MM
- Newmont Mining in Ghana – land acquisition six months ahead of schedule, decrease in grievances, reduction in spending on security
- Shell Philippines (offshore project) - \$6 MM in community consultation costs resulted in \$50-\$72 MM in savings via accelerated construction schedule
- Cost of Company-Community Conflict (See: [Company-Community Conflict](#))

# Evolution of “Social Performance”

# Proliferation of regulations, industry standards, and best practice to support community engagement

- Increasing need for talent and expertise to address these growing standards and expectations



**Implications**

- Management systems and resources
- Cost and compliance
- Importance of materiality

Environment Social / Human Rights Economic Inclusive

# Impact Management Standards from the International Finance Corporation & Equator Banks pervade corporate expectations

**IFC standards & Equator Banks integrate project-related impacts across environmental and social topics (including audits)**

## Performance Standards

1. Assessment & Management of Environmental and Social Risks and Impacts
2. Labor and Working Conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety, and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous Peoples
8. Cultural Heritage

## Governing Body



## Adopters

More than 100 banks and lending institutions including Bank of America, JP Morgan Chase, Export Development Canada, Royal Bank of Canada

# UN Guiding Principles: A Global Standard

- **The UNGPs improve clarity on responsibilities of societal pillars in the human rights arena**

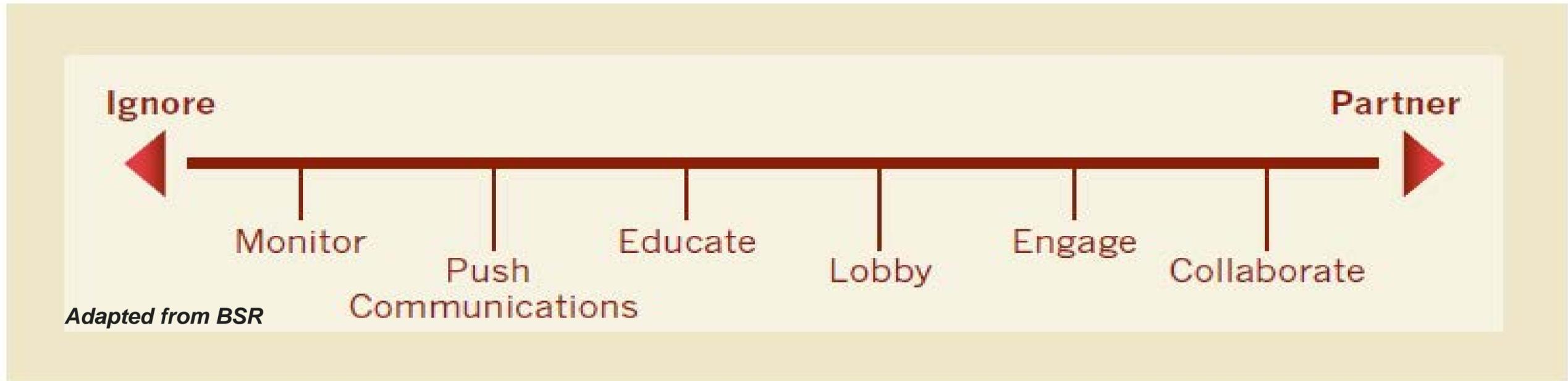


Businesses need to “know and show” that they respect human rights

- Human rights policy
- Due diligence (e.g., risk or impact assessment that includes community engagement)
- Integration of due diligence findings to prevent, mitigate, monitor, report on impacts
- Remediation of impacts and access to non-judicial grievance mechanism

# Community Relations “Portfolio”

- **Community engagement is a subset of community relations**



Community engagement encompasses:

- Two-way communication and commitments
- Disclosure on impacts is expected to be transparent and accessible
- Grievance mechanisms designed via engagement
- Growing need for skilled community relations practitioners in industry – business education and training growing in importance (e.g. Rio Tinto Stakeholder Engagement Academy)
- A key linchpin for **social performance**

# Social Performance Elements & CE

# Social Performance Major Elements



## Impact Management

- Includes social and environmental issues (per IFC standards)
- Labor, contractor, and community (including vulnerable populations) - security, health, and human rights
- Successfully build stakeholder understanding of (perceived and actual) impacts

## Social Investment

- Activities to provide community benefits in the localities where company operates
- Best practice involves community needs assessments and participatory governance

## Inclusive Business

- Enhancing and maximizing local workforce, supplier, livelihood and customer development
- Extensive engagement required to design resilient, sustainable outcomes.

# Community Engagement in impact management is often underestimated in importance by regulators & companies

- **Voluntary design of participatory monitoring mechanisms offers an industry innovation**



## Do you need a CEMP?

How your community and your company can design and implement a **Community Environmental Monitoring Program**

By Peter Plastrik  
May 2013

- Addressed lack of community confidence in permitting process.
- All of the Superior Watershed Partnership's monitoring work is paid for by the company through its donations to the Marquette County Community Foundation.

# Community Engagement in Benefits Delivery

- **Anglo-American Socio-Economic Assessment Tool (SEAT) has been shared/adopted as an industry best practice**

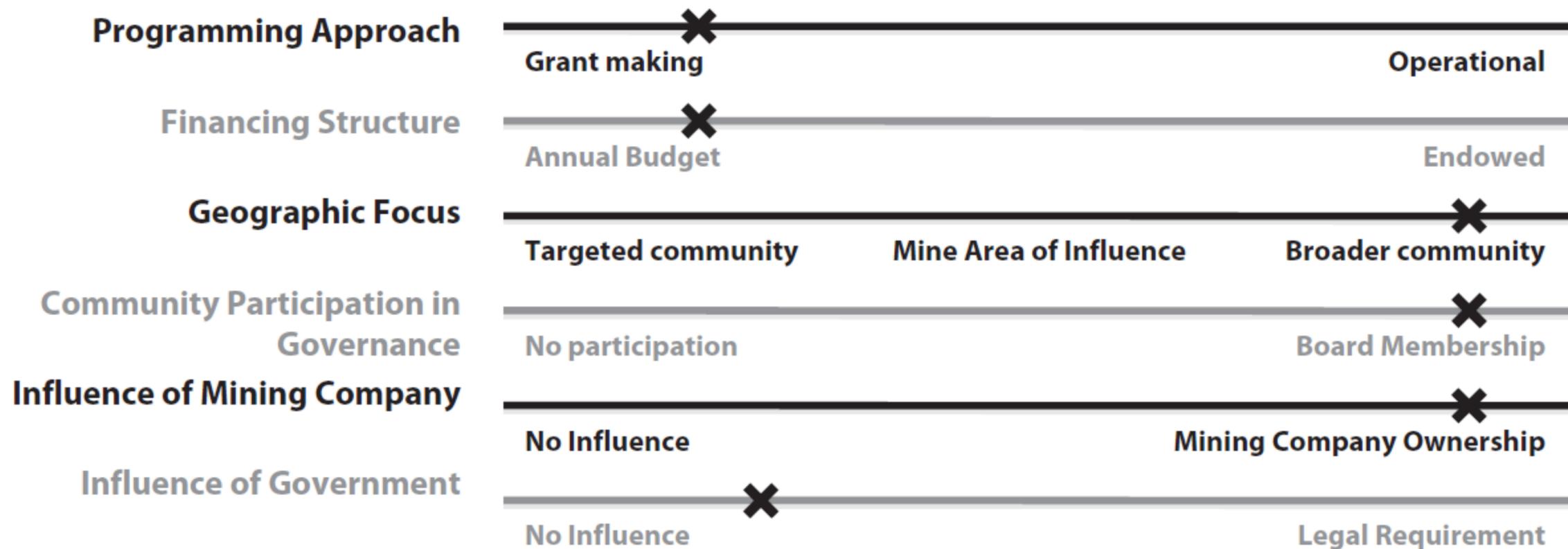


- Designed for existing operations – supplements ESHIAs
- Used at mines, smelters, paper mills, forests, sugar estates, quarries...
- Conducted every three years
- Partnership implementation with local NGOs
- Unique features: encourages participatory planning and requires public disclosure of findings & follow-up

# Community Engagement in Social Investment

- Use of trusts, funds, and foundations to diversify funding and share governance with communities

Figure 4.4: Asociación Ancash



Source: World Bank, *Sharing Mining Benefits in Developing Countries* - 2011

# Community Engagement in Inclusive Business

- **Numerous lessons learned in governance & design within a large scale project**

## Issues & Challenges:

- Legacy of civil war
- Scale and geographic scope
- Interest in testing new ways of conducting SI/Local c

## Angola Partnership Initiative (API)



## Lessons Learned:

- Shift from philanthropy to development model including multi-year funding
- Established deep partnerships for governance and funding
- Transition from “expert-driven” to participatory
- Funding (donors) and implementing partners (grantees) in design and management of projects
- Chevron program evaluation demonstrated business value and impact
- Led to Angola Enterprise Program & micro/small enterprise support

# CE Challenges, Gaps, & Lessons Learned

# Challenges, Gaps, and Lessons Learned

- Business case not always recognized
- Misaligned expectations of business as a force for good versus necessity of alignment with bottom line
- Business & technical uncertainty poses expectation management challenges
- Gaps in internal buy-in, skill sets, incentives, life-cycle transitions, and systems
- Still perceptions of social performance as philanthropy (though philanthropy can contribute)
- Best practice is empowering, not paternalistic but latter still a default for many companies
- Criticality of private/civil society partnerships but governance, execution effectiveness, and bandwidth pose constraints



# Thank you!

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# Backup

*Successful local content approaches require considerable coordination and in some contexts may warrant longer term mechanisms such as Enterprise Centers.*

## Community Issues:

- High expectations for jobs and local benefits
- Existing service providers with “entitlement” perceptions
- Balance XOM desire to manage larger contracts with SME engagement
- Importance of resetting “tone” for performance among local suppliers



## Lessons Learned:

- Coordination between community relations and procurement on local content is essential
- Deployment of Enterprise Center as primary training for target local companies helped to expand impact and reduce burden on procurement team
- Independent third party assessments provided credibility to XOM & suppliers for focused improvements



## References

<https://www.bsr.org/en/our-insights/case-study-view/exxonmobil-early-planning-for-sustainable-economic-development>