

SESSION 9

RISK, RESPONSIBILITY, AND SOCIAL ACTION PLANS

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| PARADIGM | BIG THING | IMPACTED |
|--------------------------|--------------------------|--------------------|
| ENVIRONMENTAL PLANNING | Planned disturbance | Social environment |
| POVERTY ALLEVIATION | Aid/welfare projects | Human well-being |
| CORPORATE RESPONSIBILITY | Social pressures | Business practices |
| PUBLIC HEALTH | [Anything] | Public health |
| GENDER RELATIONS | [Anything] | Gender relations |
| INDIGENOUS PEOPLES | [Anything] | Indigenous peoples |
| HUMAN RIGHTS | [Anything] | Human rights |
| NEW TECHNOLOGY | New technology | [Society/people] |
| PUBLIC POLICY | Public policy | [Society/people] |
| CLIMATE CHANGE | Climate change | [Society/people] |
| NASTY ACCIDENT | Nasty accidents | [Society/people] |
| INVOLUNTARY RESETTLEMENT | Involuntary resettlement | [Society/people] |
| PROTECTED AREAS | Protected areas | [Society/people] |



KEY CONCEPT IN THIS PARADIGM IS

RISK

**SOCIAL, POLITICAL & ECONOMIC
(AS WELL AS ENVIRONMENTAL)**

IMPACTS AND RISKS



MONSTERS FROM THE DEEP



1984



1988



CORPORATE (SOCIAL) RESPONSIBILITY

“Rio Tinto is in business to create value by finding and developing new, world class deposits and operating and eventually closing the Group’s operations, safely, responsibly and efficiently. To do so, we take a disciplined and integrated approach to the **economic, social and environmental** aspects of all our activities.....

“We recognise and accommodate evolving expectations of international companies within the bounds of our values and business role. Rio Tinto’s policies and practices are designed to **recognise risks, avoid harm or damage to people or the natural environment and to develop effective relationships both within and outside the workplace.**”

Rio Tinto, 2005, 'The Way We Work'

A WEALTH OF PRINCIPLES

- **Global Sullivan Principles**
- **ICMM Sustainable Development Framework**
- **OECD Convention on Bribery and Corruption**
- **UN Global Compact**
- **Voluntary Principles on Security & Human Rights**
- **Equator Principles/IFC Performance Standards**
- **Extractive Industries Transparency Initiative**
- **Global Reporting Initiative**
- **WEF Global Corporate Citizenship Statement**

ICMM = International Council for Mining and Metals
WEF = World Economic Forum



GUESS WHERE AND WHEN



CASE STUDY: GOLD RIDGE MINE, SOLOMON ISLANDS



- First social impact study 1996
- Mine started operating 1998
- Outbreak of ethnic tension 1999
- Mine closed 2000
- **New risk assessment 2004**
- **New feasibility study 2006**
- Redevelopment started 2010

Remember this location



THE FACE OF POLITICAL RISK IN 2004

HOW IS RISK
ASSESSMENT
UNLIKE IMPACT
ASSESSMENT?



INVESTOR'S POLITICAL RISK INSURANCE POLICY No []

Between

EXPORT FINANCE AND INSURANCE CORPORATION
ABN 96 874 024 697 (EFIC)

and

[]
ABN [] (Insured)

1. Review local social structures and institutions with reference to their impact on the Project
2. Identify and evaluate social risk issues that were associated with the Project during operations at the Mine
3. Identify and evaluate social risk issues that have been associated with the site during the period from the closure of the Mine to the present
4. Develop a framework or set of parameters against which the Insurance Company will be able to review the process and outcome of the negotiations between the Developer and the Landowners
5. Develop a set of parameters that could be used by the Insurance Company for on-going monitoring of social impact during future operation of the Mine

COMPLICATING FACTORS

- The mine had already operated and then been closed as a result of an unexpected event (the breakdown of law and order)
- It was therefore possible to assess the extent to which risks had been correctly identified and calculated in the past
- It was also possible to assess the effectiveness of actions previously taken to mitigate social risks (where these had been identified)
- The problem then was: (a) to assess the probability and impact of a *recurrence* of different risk factors (whether or not they had been correctly identified before); and (b) to suggest improvements to the mitigating measures which may or may not have been taken in the past
- But this had to be done in a political context where Australian armed forces were now the main guarantors of law and order (but for how long?)

RISK ASSESSMENT PROCESS

- 1. Define 'SOCIAL RISK'**
- 2. Classify 'SOCIAL RISK ISSUES'**
- 3. Identify specific 'RISK FACTORS'**
- 4. Assess PROBABILITY or LIKELIHOOD**
- 5. Assess RELATIVE IMPACT on business**
- 6. Assess MITIGATION OPTIONS**
- 7. Assess NET IMPACT on business**

- A 'social' risk is a risk arising from human behaviour which affects the viability or profitability of the Mine by affecting the relationships between the stakeholders who are resident on the island of Guadalcanal
- The geographical limits of this definition are justified by the fact that Honiara, the national capital, is located on the same island as the Mine
- In a Melanesian social context, the key social risks are those which are likely to affect the level of local community support for the Mine, whether or not they also affect the level of support from other stakeholders, such as the national government or the 'international community'

GOLD RIDGE RISK ISSUES

- **Mining agreement issues**
- **Landowner representation issues**
- **Benefit distribution issues**
- **Landowner relocation issues**
- **Project employment issues**
- **Business development issues**
- **General governance issues**
- **Company management issues**



- **AVOIDABLE RISKS** are those actively caused or created by failure to understand the social environment, and can thus be reduced to very low levels if well informed management choices are made
- **CONTROLLABLE RISKS** are those that respond well to mitigation, but still remain as a constant feature of the operating environment, and can still be quite risky for corporations because rapid management turnover requires a constant refreshing of the skills and knowledge that keeps such risks at low levels
- **UNCONTROLLABLE RISKS** are those over which direct management control cannot be exercised, but where good design of a business operation can still reduce its vulnerability to their impact

ONE LANDOWNER RELOCATION RISK

ISSUE: Relocation cuts people off from traditional land & cultural sites

SEVERITY OF PAST IMPACT = 4/5

EFFECTIVENESS OF PAST MITIGATION = 1/5

LIKELIHOOD OF FUTURE EMERGENCE = 5/5

SEVERITY OF FUTURE IMPACT WITHOUT MITIGATION = 4/5

AMENABILITY TO MANAGEMENT: Controllable

AMONGST THE BIGGEST RISKS (5/5)

1. Stakeholders declare that existing mining agreements are unfair or inequitable
2. Key issues are ignored in present or future mining agreements
3. Mining agreements are either retained or revised without adequate consultation
4. Project landowners are incorrectly identified
5. Negotiating with parties in the wrong order of priority
6. Lack of transparency in mechanisms of benefit distribution

SOCIAL ACTION PLAN



And two years later, we had to assess the developer's compliance with the Equator Principles (IFC Performance Standards)....



ACTION PLAN COMPONENTS

1. Social impact & risk assessment
2. Resettlement & land acquisition plan
3. Community engagement & development plan
4. Cultural heritage protection plan
5. Corporate management system for the plans
6. Social monitoring & reporting program

IFC PERFORMANCE STANDARDS

1. Assessment and 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

www.ifc.org/performancestandards

DISCUSSION TOPIC 1

Given the risks already identified in the Gold Ridge case, what should be the key components of a Social Action Plan for a deep-sea mining project?