

Community Impact from a Global Perspective

Keeping social risk assessments close at hand

BY JAMES A. KENT

A positive trend has emerged, as companies and agencies across the globe are addressing social risk as part of a new project's requirements. Not only are they including social responsibility policies into their portfolios, national governments have started requiring that social and cultural factors be considered at the front end of a project - before approvals.

Mandatory Reporting in Europe

In March 2014, new rules mandated that European companies disclose information concerning a project's community impact and environmental performance in their annual reports. The need to divulge this information creates a powerful incentive to improve such performance, especially from a regulatory standpoint. Avoiding negative publicity is another strong motivator for companies to comply with the rules.

China's Institutional Change

At China's 18th Party Congress in 2012, the State Council ordered that all major industrial projects complete a social risk assessment with slated impact mitigation measures before any project can begin. This move was aimed at addressing the increasingly violent environmental protests of the last several years. The decision was made because of the concern that, if the underlying causes of these protests were not addressed, they could potentially bring the government down. Zhou Shengxian, the Environmental Minister announced that no major projects could be launched without social risk evaluations. By doing so, he hoped to reduce the number of mass incidents in the future.

Social Responsibility Teams

Duke Energy Peru has a Social Responsibility Regional Manager and an entire team that is solely devoted to helping develop communities where resources and opportunities are scarce. Duke's commitment is to foster strong, healthy communities located near their operations. With multiple hydroelectric plants, dealing effectively with water issues is one of its biggest challenges. When a conflict arose in a community near their Cañón del Pato hydroelectric station, the team met with community members and listened to their concerns. With input from local residents, the team



helped develop an irrigation system for more than 60 acres of land, helping 350 farmers gain better access to clean water. By increasing farm production, the team was able to turn the issue into an economic opportunity for local families.

New Mining Law

A Canadian company, Gabriel Resources Ltd., oversees Rosia Montana, a gold and silver mining project in Romania. In 2012, rumors about a potentially damaging mining law surfaced. A local investment advisor decided to take advantage of the inside information and quickly issued a buy alert for the company's stock. The buy order created a domino effect when 20,000 protesters showed up outside Parliament opposing the new mining law. Parliament retreated from passing the legislation, and the mining company's stock quickly dropped by 40 percent. The investment advisor went to Rosia Montana for a first-hand look and witnessed a positive relationship between the local people and the mining company. He learned that the company plans to restore buildings and preserve the area's cultural heritage. It will also act as a catalyst for diversifying the local economy from its dependence on mining, and has committed to other beneficial mitigations like cleaning the polluted river and water systems. Gabriel Resources' front-end commitment for this work is priced at over \$70 million. Clearly, the company was committed to sustainable community development, and the protests—over 300 miles away—were unwarranted.

A License to Operate

A pronounced global trend shows that people are willing to take to the streets at enormous personal cost to protect their communities. While citizens may value the contributions that companies can make in their lives, they do not provide a blank check. Projects must incorporate local interests and create a benefit if they are to succeed. According to a miner in Nevada, "You need a social license to operate and you have to go to the people to get it."



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