Essential Alignment: Corporate Social Responsibility and Social Impact Assessment

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Introduction

The search for a sustainable balance between extractive resource development and affected communities has universal application because the supply base is global and will so continue. The persistent search for extractives to fuel the global economy constantly engages new frontiers and often intensifies in areas where operations already are established. Society applies environmental and social impact assessment (ESIA) to proposed developments to ascertain impacts and mitigations, at the same time reevaluating the scope and efficacy of these assessments. Increasingly attention is directed to social impact assessments (SIAs) as these apply to outcomes for indigenous communities that occupy areas of impact and may experience profound change.

A second and increasingly prominent "pathway" to balance is evidenced in corporate social responsibility (CSR), which in contrast to the regulatory driven ESIA, is rooted in company policy and practice and insofar as it exceeds regulatory requirements, is voluntary. Moreover SIA is fundamentally project-specific while CSR reflects an overarching, ongoing statement of socially and environmentally responsible actions by resource developers. We observe that notwithstanding certain common elements, CSR and ESIA generally proceed along separate pathways. For future SIA practitioners integration of CSR into terms of reference (TOR) of ESIAs will provide a desirable alignment of ongoing corporate policy and practice with the focused and time sensitive parameters of SIA.

We argue that alignment of the two pathways will benefit indigenous communities and their territories because beyond impact and mitigation statements such alignment more fully expresses how community-company relationships will unfold over the longer term. The result of this alignment, i.e., the Indigenous Participation Plan (IPP), in effect becomes a living document to be adjusted over time with a company's CSR management system and linked to changing local circumstances of development and governance.

The paper reflects our experiences in the hydrocarbon sector, representative of the extractive industry, and draws examples from North America and Latin America that are pertinent to broader international practice.

Intersection of Pathways

SIA as a component of ESIA addresses development effects on populations, groups and settlements. That role is seen to be changing as measurement and monitoring of social returns or social outputs of a business increasingly contribute to ascertaining its social license to operate. This broadening view of SIA practice opens the door to consideration of what CSR represents and its place in relation to SIA. It is this wider view of what a company stands for and

executes through its business practices, in addition to considering the social consequences of its planned interventions, which encourages support for more thoughtful alignment of the two. This approach acknowledges that company-centered CSR itself cannot bring about long term transformative change, but helps place CSR within a broader governance system that includes SIA.[1]

What then of this alignment relative to indigenous communities? How likely is social or community conflict to arise in connection with extractive activities? A 2008 study of projects operated by major oil companies revealed that time taken for projects to come online nearly doubled in the previous decade due to conflicts with indigenous communities, causing significant increase in costs. Understanding and mitigating the potential for conflict is an essential element of broader risk management in the sector. Beyond individual situations, inability to pursue future projects or restricted opportunities for expansion or eventual sale of the project also looms.[2]

Approaches in CSR

Many guidelines are espoused by institutional and public and private entities for the conduct of CSR, including ISO 26000 as the recognized international standard. CSR speaks to principles of accountability, transparency, ethical behavior and respect for stakeholder interests, the rule of law, international norms and human rights. Environmental issues are inherently linked to human rights, community involvement and development and other core subjects.

Within this framework initiatives specific to extractive industries have emerged, such as a CSR management system for member companies of the Regional Association of Oil, Natural Gas and Biofuels Companies in Latin America and the Caribbean (ARPEL).[3] The project was directed specifically to hydrocarbon activities in Latin America and the Caribbean and took into account rapid expansion of oil and gas interests in the Amazon basin and other areas in the region prominently associated with the presence of indigenous communities.[4] The management system is designed to accommodate to a company's overall management system and is applicable to organizations of all sizes.

The suite of interrelated documents that make up the ARPEL CSR system is shown in Table 1.

Table 1. ARPEL CSR System documents

• Management System Framework • CSR Policy and Commitments • Evaluation Protocol • Risk Assessment Tool • Ethics & Corporate Values Manual • Governance Manual • Human Rights Manual	• Labour Practices Manual • Stakeholder Engagement Manual • Value Chain Manual • Communications & Reporting Manual • Volunteering Toolkit • Training Toolkit

Of interest is the extent to which the products of such initiatives are reflected in the execution of SIAs for proposed projects.

Approaches in SIA

Three key aspects of contemporary SIA TOR are (i) the general transferability of their contents across countries and regions, (ii) an opportunity for proponents to adjust standardized TOR to their specific circumstances, and (iii) high levels of corporate interregional communications in information sharing. Thus events in one region may have remarkable resonance in others.

In Alberta where resource development and indigenous communities often intersect government-standardized TOR are provided to proponents of in-situ projects, oil sands mine projects, coal mines and industrial plants. Similar in content to the others, TOR for in-situ hydrocarbon project ESIAs request information as set out in Table 2.

Table 2. ESIA information needs, in-situ hydrocarbon projects, Alberta

• Scope of Project • Public Engagement & Aboriginal Consultation • Project Description • Historic Resources • Traditional Ecological Knowledge (TEK) & Traditional Land Use (TLU)	• Public Health & Safety • Socio-Economic Assessment • Mitigation Measures • Residual Impacts • Monitoring

Detailed subsets of information accrue to each component, such as for socio-economic assessment (Table 3).

Table 3. Socio-economic information needs, in-situ hydrocarbon projects, Alberta

<u>Baseline Information</u> • Describe existing S/E conditions in region, communities • Describe factors that affect these conditions (population change; project workforce; accommodations for workforce; proponent policies, programs re use of local, regional provincial goods and services; project schedule; engineering, contracting plan for project <u>Impact Assessment</u> • *Describe effects of construction, operation on:* • Housing; availability, quality of health services; local, regional infrastructure, community services • Recreational activities • Hunting, fishing, trapping, gathering • First Nation and Metis (TLU and social, cultural implications	• *Describe S/E effects of project camps, identifying:* • Location; total workers; serving one or more clients; longevity; services to be provided (security, recreation, medical), with impact on external services; emergency services and evacuation plan) • *Describe need for additional state land* • *Discuss opportunities to work with FN and Metis communities/groups and others re :* • employment, training, other economic development opportunities arising from project • *provide estimated total project cost, including required breakdowns* <u>Mitigation Measures</u> <u>Residual Impacts</u> <u>Monitoring</u>

Years of experience with aboriginal and other communities in Alberta resulted in a practice (now a regulatory requirement) that aligns companies' CSR with SIA by demanding that developers engage communities far in advance of studies' commencement. Coincidentally, a review by the World Bank of the application of its safeguard policies across more than 150 projects found that "*the projects affecting or targeting Indigenous Peoples are increasingly extending the concept of consultation upstream to the project design phase, thus expanding the earlier concept of informed participation for the purpose of project implementation. This also indicates that the design of many projects, (…) is more likely to benefit from indigenous knowledge, preferences or priorities, which are often the key to community ownership and ensure that they are socio-culturally compatible and sustainable.*"[5]

Moving stakeholder engagement "upstream" provides companies a unique opportunity for communicating their CSR policies and putting them into action before the start of formal ESIA studies triggers the application of standard TORs. The result of aligning the two is a tailored, site-specific TOR capable of achieving and demonstrating "broad community support" for the project, as required, for example, by the World Bank's Operational Policy 4.10 on Indigenous Peoples. While arriving at a tailored TOR may be of limited significance in jurisdictions with mature regulatory frameworks such as Alberta where, following years of regulatory adjustments, in practice proponents deviate little from the standardized format, it is of the utmost importance in places such as Peru, where proponents receive scant regulatory guidance and need to prepare their own TOR. For example, a result of implementing CSR upstream will be that most studies will incorporate and consider alternatives to project design and mitigation measures in response to community input, a vital component that, like in Peru may nevertheless be absent from regulatory ESIA requirements.

While moving the process upstream is vital to achieving a balance between extractives' development and community well being, moving the process "downstream" to extend to the lifetime of a project and beyond, is necessary to make that balance sustainable. Because SIAs are finite, it is necessary that CSR picks up where SIAs end. Regulations in Alberta and Peru, for example, require some sort of IPP but provide little (Alberta) or no guidance (Peru) as to content. That is where CSR fits in to better guide all parties involved in deciding what should be included in the IPP and how to engage with indigenous stakeholders after the regulatory approval is obtained. The latter point is particularly important because though a project's regulatory license may be revoked in extreme cases of non-compliance, a social license will be only as good as the relationship between the host community and the developer and can evaporate as soon as that relationship sours. (The Yanacocha Mine in Peru is a vivid example of matters gone wrong.)

The IPP can be viewed as a "comprehensive engagement plan" to guide relationships and keep employees focused once anchored in the developer's CSR policies and practices. It will also serve to manage expectations. As in ARPEL's CSR System company guidelines typically will include components vital to sustainability but often unsought by the regulator. For example, companies will be required to set up: a communications system between host community and

developer; grievance mechanisms, and adaptive management procedures through which the company collects feedback and adjusts its behavior and procedures accordingly.

Opportunities and Challenges

Opportunities

- Regulators and proponents alike should view the (E)SIA within the larger context of CSR rather than as a finite tool in a regulatory process, so that it has continuing relevancy in validating a proponent's social license to operate
- Companies have to accept growing stakeholder expectations regarding the place of a CSR management system within the latter's overall management system, acknowledge the relevancy of CSR constituents to SIA, and adjust elements within an IPP as corporate CSR policy and practice evolve during the life cycle of the project
- Extractive industry associations must continue to encourage their members to introduce, refine and apply CSR management systems as integral to their social license to operate and as an expected prerequisite to the successful acceptance by regulators of SIAs
- Indigenous communities as arguably those most sensitive to extractive industry impacts must come to understand the relationship between CSR and SIA
- Regulatory bodies should incorporate best CSR practices on revisions to TOR that better reflect social concerns about extractives impacts on indigenous communities (Alberta oil sands TOR increasingly speak to necessary inputs regarding developments in indigenous territories; the ARPEL governance program likewise at length speaks to CSR and Community Relations within an indigenous community context)

Challenges

- The requirement for corporate CSR content in SIA and IPP requires preparation of CSR policy and practice statements by the proponent and assignment of human and financial resources to creation and ongoing execution of a CSR management system; capability (and interest!) varies among organizations and outcomes will be similarly affected
- The presence of an extractive organization in an indigenous community is time sensitive; notwithstanding the merits of CSR and its impact on appropriate SIA and IPP, the long term benefit of alignment will be jeopardized unless commitments are set within effective government strategies and actions, including provisions for the role of other extractives

References

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2. R. Davis and D.M. Franks. 2012. Discussion Note #1, Focus on a research paper on the costs of community conflict in the extractive industries. Canada, Office of the Extractive Sector, Corporate Social Responsibility (CSR) Counsellor
3. ARPEL is based in Montevideo, Uruguay
4. The Corporate Social Responsibility Management System project (2009-12) was co-managed by ARPEL and ESAA (Environmental Services Association of Alberta, Edmonton, Alberta), executed by Stantec Consulting International and consisted of several interrelated documents
5. World Bank. 2011. Implementation of the World Bank's Indigenous Peoples Policy. A learning review. August