IAIA Webinar

16/17 February 2024

Exploring the ‘S’ in ESG

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Crawford School of Public Policy
The Australian National University

www.nextgenengagement.org
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?

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.
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
- Victoria State Government

**Supporters:**

- iap² international association for public participation
  AUSTRALASIA
- Lendlease
- Transurban

- aurecon
- GHD
- IAIA
  International Association for Impact Assessment
- Melbourne Water
  Enhancing Life and Liveability
- Sydney WATER
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
ESG
three BIG questions
what?
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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ESG renaissance
Social Responsibilities of the Businessman

by Howard R. Bowen

The Social Responsibility of Business is to Increase its Profits
Milton Friedman
The New York Times Magazine
September 13, 1970

When I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system," I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defining free enterprise when they declare that business is not "moral" with profit but also with promoting desirable "social" ends that business -- a "social conscience" and taken seriously in responsibilities for providing employment, preventing discrimination, avoiding pollution and whatever else may be the catchwords of contemporary moralists. In fact, it is very important to see if anyone else is seriously trying to understand and advance social goals. Businessmen who talk in this context are paying tribute to the intellectual forces that have been undermining the basis of free market ideas.

Corporate Social Responsibility: Evolution of a Definitional Construct

ARCHIE B. CARROLL
University of Georgia

An impressive history associated with the evolution of the concept of corporate social responsibility (CSR). In this article, Carroll examines the concept of the corporate social responsibility (CSR) construct beginning in the 1950s, which is defined as the ethical and social responsibilities of businesses to society. Definitions expanded during the 1960s and proliferated in the 1980s, there were fewer new definitions, more than alternative themes began to mature. These alternative themes include corporate social performance (CSP), stakeholder theory, and business ethics. Overall, this research demonstrates that CSR reflects a commitment to social and environmental behavior cannot be explained purely in terms of instrumental threats and moral obligations, but rather in terms of the interplay between social pressures and economic constraints.
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%)

ANU I2S Social Risk Maturity Model (Henderson, Bice, Sanchez, 2022)
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.
38% of respondents reported ‘a good to great deal’ of adverse stakeholder pressure played a role in delays or cancellations in 2022.

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.
National Trust Model: Australian infrastructure sector

Policy case

1. Regulation
2. Procedural fairness / responsiveness
3. Community Self-determination and benefits
4. Positive impacts on local economy

Trust

Acceptance

Infrastructure key to COVID-19 recovery
Development delivers value
Personal voice
Policy case

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

OVERALL

1. Trust government
2. Transparency
3. Responsive to Feedback
4. Regulations
5. Fairness of Infr. Project Teams

QLD

1. Trust government
2. Transparency
3. Responsive to Feedback
4. Regulations

NSW

1. Trust government
2. Transparency
3. Reasonable chance to give feedback
4. Regulations
5. Personal engagement influences development

VIC

1. Trust government
2. Transparency
3. Responsive to Feedback
4. Fairness of Infr. Project Teams

SA

1. Trust government
2. Transparency
3. Responsive to Feedback
4. Projects are beneficial
5. Negative Impact

Policy case
WHY DOES THE ‘S’ MATTER FOR POLICY?

LEGITIMACY

CREDIBILITY

TRUST
Drivers of Community Resilience:
ANU I2S Community Resilience Model, 2022.
Relationship quality, guided by engagement, is the **main driver** of community resilience, as it relates to major infrastructure projects in Australia.
Infrastructure development should contribute to social inclusion

~according to infrastructure sector experts surveyed.


n=50
Communities Case

Infrastructure development should contribute to social inclusion

~according to infrastructure sector experts surveyed.


52% Agree

24% Strongly Agree
Top 5 most important types of social value creation for major infrastructure projects

Access to infrastructure and services: 27%
Housing: Affordability and choice: 15%
Wellbeing, safety and resilience: 13%
Mobility: Accessibility and choice: 12%
Skills and employment: 12%
Why does the ‘S’ matter?

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<thead>
<tr>
<th>Business Case</th>
<th>Policy Case</th>
<th>Communities Case</th>
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<tbody>
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<td>Cost</td>
<td>Trust</td>
<td>Resilience</td>
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<td>Acceptance</td>
<td>Legitimacy</td>
<td>Social inclusion</td>
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<td>Credibility</td>
<td>Social value</td>
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Checking in

• Why the ‘S’ in ESG is critical to sustainable futures
how?
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
SIA should provide evidence-informed guidance, incorporating community perspectives, to mitigate or prevent negative social impacts while enhancing project benefits and contributing to sustainability.
ESF

Environmental and Social Frameworks

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.

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.

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

**Designed with industry. Validated by community.**
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

ANU I2S Social Risk Maturity Model (Henderson, Bice, Sanchez, 2022)
JOIN US AT IAIA24

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:

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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