

## Making the business case for Corporate Social Responsibility (CSR)

Social performance tools

Social  
responsibility

THE GLOBAL OIL AND GAS  
INDUSTRY ASSOCIATION  
FOR ENVIRONMENTAL  
AND SOCIAL ISSUES

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# Making the business case for Corporate Social Responsibility (CSR)

Social performance tools

## **IPIECA**

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# Introduction

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IPIECA has developed a set of tools to help make the business case for Corporate Social Responsibility (CSR), and improve internal company due diligence processes for social performance.

Four tools have been developed:

1. **Risk terminology:** This generic risk terminology was designed based on the outcomes of a survey of member company methodologies for enterprise risk management. The purpose was to provide a framework for how to structure the work on adverse impacts, risks and costs.
2. **Adverse impacts chart:** This chart describes the types of adverse social and human rights impacts that may lead to business risk, as well as providing examples of specific adverse impacts, and examples of relevant human rights.
3. **Financial proof points on the costs of failing to identify and address social and human rights impacts:** This tool enables companies to systematically quantify the costs of failing to identify and address adverse social and human rights impacts. Examples of prevention measures are also provided.
4. **Social risk bowties:** Bowties are a risk evaluation method used widely within the oil and gas industry. A bowtie template is provided, together with two examples of social risk bowties covering: access to water and in-migration of workforce.

*Please note that each tool is designed to be flexible and adaptable to the internal needs of companies. They are not intended to be conclusive or prescriptive.*

# Tool 1: Risk terminology

**Event:** Something that happens. *(This is a common English language definition, not a particular risk term.)*

**Risk source:** Element which alone or in combination has the intrinsic potential to give rise to risk. A risk source can be tangible or intangible.

**Risk cause:** Something that produces an effect, result, or condition. In this case, it means the cause of an event.

**Consequence:** Outcome of an event affecting objectives:

- An event can lead to a range of consequences
- A consequence can be certain or uncertain and can have positive or negative effects on objectives
- Consequences can be expressed qualitatively or quantitatively
- Initial consequences can escalate through knock-on effects

**Proposed definition of risk:** Risk is the combination of the severity of the consequences of the event and the probability of an event. The severity of an incident takes priority over the probability of an event. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside)<sup>1</sup>.

<sup>1</sup> Prior to the development process, scoping in both the downside and upside is particularly relevant, because this can impact the development design. Post-development, risks typically focus on the downside.

1. Name of the risk	
2. Risk description	Qualitative description of risk usually containing four elements: sources, causes, events and consequences. Also can include size, type, number and dependencies.
3. Nature of risk	Categorisation of risk, eg. strategic, operational, financial, knowledge or compliance.
4. Quantification of risk	<ul style="list-style-type: none"> <li>• Probability and size of potential losses/gains.</li> <li>• Consequences of both threats and opportunities (high, medium and low).</li> <li>• Probability of threats only (probable, possible, remote).</li> </ul>
5. Risk treatment and control mechanisms	<ul style="list-style-type: none"> <li>• Objective(s) for control of the risk and desired level of performance.</li> <li>• Primary means by which the risk is currently managed.</li> <li>• Levels of confidence in existing control.</li> <li>• Identification of protocols for monitoring and review.</li> </ul>
6. Potential action for improvement	<ul style="list-style-type: none"> <li>• Recommendations to reduce risk.</li> <li>• Risk owner.</li> <li>• Action owner.</li> </ul>
7. Residual risk description	

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## NATURE OF RISK

It can be useful to assign a “nature of risk” category.

Business activities and decisions can be classified in a range of ways. Examples include:

- **Strategic** - These concern the long-term strategic objectives of the organisation. They can be affected by such areas as capital availability, sovereign and political risks, legal and regulatory changes, reputation and changes in the physical environment.
- **Operational** - These concern the day-to-day issues that the organisation is confronted with as it strives to deliver its strategic objectives.
- **Financial** - These concern the effective management and control of the finances of the organisation and the effects of external factors such as availability of credit, foreign exchange rates, interest rate movement and other market exposures.
- **Knowledge management** - These concern the effective management and control of the knowledge resources, the production, protection and communication thereof. External factors might include the unauthorised use or abuse of intellectual property, area power failures, and competitive technology. Internal factors might be system malfunction or loss of key staff.
- **Compliance** - These concern such issues as health and safety, environmental, trade descriptions, human rights, consumer protection, data protection, employment practices and regulatory issues.

# Tool 2: Adverse impacts chart

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## ABOUT THIS CHART

This chart describes the types of adverse social and human rights impacts which may lead to business risk, and provides examples of adverse impacts and the relevant human rights.

The types of events or consequences that can result from the social or human rights impacts, and which give rise to business risk, include:

- Local community opposition such as protests or blockades, particularly of project essential supplies (e.g. water)
- Increased demands for community investments for companies to deliver basic infrastructure, education and health
- Community lobbying of local or national authorities to refuse or rescind permits
- Claims for compensation
- Legal cases with punitive enforcement measures
- Safety incidents, sabotage, go-slows and strikes



Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<p style="text-align: center;"><b>LAND AND PROPERTY</b></p>	<p>Temporary or permanent in-migration to local area due to the project or operation.</p>	<ul style="list-style-type: none"> <li>● Increased social tension.</li> <li>● Deteriorating standard of living due to increased stress on existing infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to adequate housing.</li> <li>● Freedom of movement.</li> <li>● Right to standard of living adequate for the health and well-being of the individual and his/her family.</li> <li>● Right to food.</li> <li>● Right to water.</li> <li>● Right to health.</li> <li>● Right to education.</li> </ul>
	<p>Previous adverse experiences with oil and gas.</p>	<p>Increased stress in community triggered by negative expectations based on previous experiences.</p>	<ul style="list-style-type: none"> <li>● Freedom of expression.</li> <li>● Freedom of association.</li> </ul>
	<p>Temporary or permanent resettlement of people (economic or physical).</p>	<ul style="list-style-type: none"> <li>● Harm to living standards of families.</li> <li>● Overall increased psychological stress.</li> <li>● Disturbance to community's cultural life.</li> <li>● Increased social tension.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to standard of living adequate for the health and well-being of the individual and his/her family.</li> <li>● Right to property, privacy and family life.</li> <li>● Right to own property.</li> <li>● Right to adequate housing.</li> <li>● Right to participate freely in the cultural life of the community.</li> </ul>

Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<b>WORKERS (BOTH DIRECTLY EMPLOYED AND CONTRACTED)</b>	<ul style="list-style-type: none"> <li>● Poor working conditions and labour practices for workers including:               <ul style="list-style-type: none"> <li>● Employee lay-offs after strikes.</li> <li>● Pay below international standards.</li> <li>● Human trafficking.</li> <li>● Unethical recruitment.</li> <li>● Reduction of earnings.</li> <li>● Physical or verbal abuse.</li> <li>● Child labour or forced labour.</li> <li>● Lack of information on terms and conditions of employment.</li> <li>● Restrictions of workforce's freedom of movement.</li> <li>● Absence of workforce grievance mechanism.</li> <li>● Poor availability and quality of onsite facilities such as sanitation, drinking water, changing facilities, catering, recreational and residential accommodation.</li> </ul> </li> <li>● Delayed payments to local contractors or to workers.</li> <li>● Perception of corruption and bribery in project or operation related to permitting and consent.</li> </ul>	<ul style="list-style-type: none"> <li>● Demotivation.</li> <li>● Fatigue.</li> <li>● Increased injury rate.</li> <li>● Higher sick leave rate.</li> <li>● Burnouts.</li> <li>● Overall increased psychological stress.</li> <li>● Decreased in company loyalty.</li> </ul>	<ul style="list-style-type: none"> <li>● Freedom of association and the right to collective bargaining.</li> <li>● Freedom from child labour.</li> <li>● Freedom from forced or compulsory labour.</li> <li>● Freedom from discrimination and the right to equality of opportunity and treatment.</li> <li>● Right to just and favourable working conditions.</li> </ul>
	<ul style="list-style-type: none"> <li>● Delayed payments to local contractors or to workers.</li> </ul>	<ul style="list-style-type: none"> <li>● Demotivation.</li> <li>● Overall increased psychological stress.</li> <li>● Decrease in company loyalty.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to just and favourable working conditions.</li> </ul>
	<ul style="list-style-type: none"> <li>● Perception of corruption and bribery in project or operation related to permitting and consent.</li> </ul>	<ul style="list-style-type: none"> <li>● Demotivation and community discontent.</li> </ul>	<ul style="list-style-type: none"> <li>● Freedom from discrimination and the right to equality of opportunity and treatment.</li> <li>● Right to access to information.</li> <li>● Right to participate in governance.</li> </ul>

Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<b>LIVELIHOODS</b>	Community has made unmet demands for bribes, preferences in contracting processes, etc.	Increase of social tension due to unmet community expectations or demands.	Right to equality of opportunity and treatment.
	Impacts on land use (agriculture, husbandry, industrial, leisure, spiritual, small-scale economic uses).	<ul style="list-style-type: none"> <li>● Loss of community income (e.g. if used for agriculture or livestock).</li> <li>● Disturbance of community's cultural conduct.</li> <li>● Pollution (e.g. land, air, noise, light).</li> </ul>	<ul style="list-style-type: none"> <li>● Right to standard of living adequate for the health and well-being of the individual and his/her family.</li> <li>● Freedom of religion.</li> <li>● Indigenous Peoples' rights.</li> </ul>
	Destruction of cultural and archaeological heritage.	<ul style="list-style-type: none"> <li>● Loss of community income (e.g. if used for tourism).</li> <li>● Disturbance to community's cultural life.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to standard of living adequate for the health and well-being of the individual and his/her family.</li> <li>● Right to participate freely in the cultural life of the community.</li> <li>● Right to equal recognition and protection under the law.</li> <li>● Freedom of religion.</li> <li>● Indigenous Peoples' rights.</li> </ul>
	Overuse, loss of access to, or destruction of natural and public resources such as water, electricity, grass, forests, rivers.	Impact on sustainable livelihoods of families (e.g. subsistence fishing, agriculture, husbandry).	<ul style="list-style-type: none"> <li>● Right to food.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> <li>● Right to own property.</li> <li>● Right to water and sanitation.</li> <li>● Right to a standard of living adequate for the health and well-being of the individual and his/her family.</li> <li>● Right to work.</li> </ul>

Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<b>LIVELIHOODS (CONT'D)</b>	Inadequate community engagement.	Unmet expectations for social investments and community benefits.	<ul style="list-style-type: none"> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to participate in governance.</li> <li>● Freedom of expression.</li> <li>● Freedom of association.</li> </ul>
	Decrease in the rule of law and increased violence, corruption, poverty.	Increased social tension.	<ul style="list-style-type: none"> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>
	Damage to infrastructure such as sewage system, drainage, water supply, transportation, offices, factories, energy and utilities, etc.	Harm to living standards of families.	<ul style="list-style-type: none"> <li>● Right to water and sanitation.</li> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>
	Cost of living increases or loss of income.	Harm to living standards of families.	<ul style="list-style-type: none"> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>

Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<b>COMMUNITY HEALTH AND ACCESS TO PUBLIC SERVICES</b>	Overuse, loss of access to or destruction of natural and public resources affecting commercial business opportunities (i.e. non-subsistence fishing, agriculture, etc.).	Widespread temporary or permanent negative impacts on local commercial interests and local economy affecting broader economic opportunities in the area and possibly amongst business interests in other locations.	<ul style="list-style-type: none"> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>
	Temporary noise, dust, and traffic generated by the project or operation, at nuisance level.	Disruption to normal daily life (e.g. usual routes to work blocked, noise disturbs people and livestock).	<ul style="list-style-type: none"> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>
	Air quality deterioration or significant pollution resulting in adverse impacts to community health.	Health impacts to local community (e.g. respiratory problems, children, infirm and elderly at greater risk).	<ul style="list-style-type: none"> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>
	Damage or lack of access to amenities such as housing, health, education, recreation, etc.	<ul style="list-style-type: none"> <li>● Increased social tension.</li> <li>● Deteriorate in standard of living due to increased stress on existing infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to the highest attainable standard of physical and mental health.</li> <li>● Right to education.</li> <li>● Right to participate in the cultural life of the community.</li> <li>● Right to equal access to public service in own country.</li> </ul>
	Increased presence of migrant workers and their families causes spread of new illnesses to local communities.	<ul style="list-style-type: none"> <li>● Health problems to local communities.</li> <li>● Increased pressure on local health resources and infrastructure, reducing access to these services.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to the highest attainable standard of physical and mental health.</li> </ul>

Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<b>SECURITY</b>	Security incidents involving local communities.	<ul style="list-style-type: none"> <li>● Harm to local individuals or communities.</li> <li>● Harm to IOC or contractor staff.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to life, liberty and security of person.</li> <li>● Right to freedom from torture or cruel, inhuman or degrading treatment or punishment.</li> <li>● Right to freedom from arbitrary arrest, detention or exile.</li> <li>● Right of detained persons to humane treatment.</li> <li>● Right to freedom of assembly, freedom of association and collective bargaining.</li> <li>● Right to a fair trial.</li> <li>● Right to an effective remedy.</li> <li>● The industry seeks to protect people and assets in a manner that respects human rights and is consistent with The Voluntary Principles on Security and Human Rights and / or the UN Basic Principles on the Use of Force and Firearms.</li> </ul>
<b>INDIGENOUS PEOPLES</b>	Ineffective consultation or engagement with Indigenous Peoples.	<ul style="list-style-type: none"> <li>● Community distress.</li> <li>● Disturbance to community's cultural life.</li> <li>● Perception of project's or operation's bias toward or against particular clans, religions, ethnic groups, political parties, etc. in employment and procurement processes.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to participate freely in the cultural life of the community.</li> <li>● Right to equal recognition and protection under the law.</li> <li>● Right to non-discrimination.</li> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Specific collective and group rights of Indigenous Peoples as captured in the UN Declaration on the Rights of Indigenous Peoples, 2007 and ILO Convention No. 169.</li> </ul>

Issue areas	Types of adverse social and human rights impacts which may lead to business risk	Examples of specific adverse social and human rights impacts	Examples of relevant human rights
<b>VULNERABLE GROUPS/INDIVIDUALS</b>	<p>Discrimination against vulnerable groups in access to employment and equal wages by contractors.</p> <p>Consultations include only men, excluding women, youth or the elderly.</p>	<p>High levels of unemployment and inadequate standard of living.</p> <p>Operational impacts that have a differentiated negative impact on vulnerable and excluded groups are not identified or mitigated.</p>	<ul style="list-style-type: none"> <li>● Right to non-discrimination.</li> <li>● Right to self-determination.</li> <li>● Right to own property.</li> <li>● Right to adequate housing.</li> <li>● Right to a standard of living adequate for the health and wellbeing of the individual and his/her family.</li> <li>● Right to the highest attainable standard of physical and mental health.</li> <li>● Right to participate freely in the cultural life of the community.</li> <li>● Right to equal recognition and protection under the law.</li> <li>● Right to an effective remedy.</li> <li>● Specific rights of minorities.</li> </ul>
<b>CULTURAL HERITAGE</b>	<p>Operational activities adversely impacting cultural heritage.</p>	<p>Increased social tension due to adverse impacts on:</p> <ul style="list-style-type: none"> <li>● Cultural and traditional way of life.</li> <li>● Sacred places.</li> <li>● Religious belief.</li> <li>● Ancestral worldview.</li> <li>● Local customs.</li> </ul>	<ul style="list-style-type: none"> <li>● Right to non-discrimination.</li> <li>● Right to an effective remedy.</li> <li>● Rights for specific groups e.g. UN Convention on the Rights of the Child, 1989. UN Convention on the Elimination of All Forms of Discrimination against Women, 1979.</li> <li>● Right to freely participate in the cultural life of the community.</li> <li>● Freedom of thought, conscience and religion.</li> </ul>

# Tool 3: Financial proof points on the costs of failing to identify and address social and human rights impacts

## ABOUT THIS TOOL

The purpose of this tool is to enable companies to systematically quantify the costs of failing to identify and address adverse social and human rights impacts. Examples of prevention measures are also provided.

This tool is informed by the 'typology of costs' included in the Rachel Davis and Daniel Franks paper, *Costs of Company-Community Conflict in the Extractive Sector* (Harvard Kennedy School, Shift, The University of Queensland, 2014).

## INSTRUCTIONS

1. Use the Adverse Impacts Chart tool to identify the incidents that fall within scope.
2. In collaboration with colleagues from relevant disciplines, identify real cases in which the consequences of adverse impacts led to loss or erosion of value.
3. Update this tool on an annual basis as part of tracking the developing business case.

## QUANTIFYING COSTS OF FAILING TO IDENTIFY AND ADDRESS SOCIAL AND HUMAN RIGHTS IMPACTS <sup>2</sup>

Types of costs experienced by extractive companies as a result of conflict with local communities (when failing to identify and address social and human rights impacts)		If possible, express costs as: <ul style="list-style-type: none"> <li>• % time delay</li> <li>• USD Budget overspend</li> <li>• USD Cost range</li> <li>• Materiality of impact on budget or schedule</li> </ul>	Comments
Security	Payments to state forces or company security contractors.		
	Increased operational cost of security e.g. fences, additional patrols, escorts, alarms, transport, equipment, reduced mobility.		
	Increased security training and management: staff time, cost of programs.		
Health and safety	Injuries to personnel or local community living in vicinity.		
Environment	Repair cost and spill response resulting from sabotage acts to pipelines and other infrastructure.		
Project modification	Design modification costs: application, redesign, legal approval, delayed completion.		
	Modifications to existing facilities.		

<sup>2</sup> Types of costs adapted from Rachel Davis and Daniel Franks paper, *Costs of Company-Community Conflict in the Extractive Sector* (Harvard Kennedy School, Shift, The University of Queensland, 2014).



Tool 3

Financial proof points on the costs of failing to identify and address social and human rights impacts

Types of costs experienced by extractive companies as a result of conflict with local communities (when failing to identify and address social and human rights impacts)		If possible, express costs as: <ul style="list-style-type: none"> <li>● % time delay</li> <li>● USD Budget overspend</li> <li>● USD Cost range</li> <li>● Materiality of impact on budget or schedule</li> </ul>	Comments
Risk management	Insurance: higher premiums and coverage, risk rating, withdrawal of coverage.		
	Legal and conflict expertise: specialist training for staff, additional staff.		
Material/physical damage	Damage/destruction to public or private property/infrastructure.		
Lost productivity/operational delays/project termination	Operations discontinued: closure or enforced through injunction.		
	Temporary shutdown of operations during exploration. <ul style="list-style-type: none"> <li>● Drilling.</li> <li>● Onshore seismic acquisition delays.</li> </ul>		
	Temporary shutdown of operations during construction. <ul style="list-style-type: none"> <li>● Daily cost of mobilised staff and equipment.</li> </ul>		
	Disruption to production: BOEPD (Barrels of oil equivalent per day) losses.		
	Disruption to delivery routes leading to delays in deliveries/supplies.		
Loss of opportunity for future business	Lost opportunity for future expansion and/or new projects. <ul style="list-style-type: none"> <li>● Access to new country/region.</li> <li>● New opportunities in same country/region.</li> </ul>		
Losses in retail business	Withdrawal of customer goodwill, e.g. cancellation of orders, boycott by retail customers.		

Tool 3

Financial proof points on the costs of failing to identify and address social and human rights impacts

Types of costs experienced by extractive companies as a result of conflict with local communities (when failing to identify and address social and human rights impacts)		If possible, express costs as: <ul style="list-style-type: none"> <li>● % time delay</li> <li>● USD Budget overspend</li> <li>● USD Cost range</li> <li>● Materiality of impact on budget or schedule</li> </ul>	Comments
Losses in retail business	Withdrawal of customer goodwill, e.g. cancellation of orders, boycott by retail customers.		
Greater regulatory burden	Increased scrutiny by regulatory authorities <ul style="list-style-type: none"> <li>● Cost of audits, reports and preparation.</li> <li>● Cost of additional staff and systems to ensure compliance.</li> <li>● Costs of repeating regulatory processes due to loss of permits.</li> </ul>		
Capital	Loss of value of property: full write-off, other depreciation.		
	Inability to repay debt or default on debt.		
	Difficulty raising new capital/increase in the cost of capital.		
	Share price instability/loss of value (within relevant time period).		
	Increased scrutiny by new and socially responsible investors.		
	Investor divestment/selling of stock share.		
Personnel	Staff time diverted to grievance management, compensation assessment, risk and conflict management.		
	Executive time spent on managing social/human rights issues.		
	Hostage-taking; rescue operations, compensation.		
	Remediation costs: meetings, negotiations, mediators.		
	Arrests of staff.		
	Injuries to staff and facilities.		

### Tool 3

#### Financial proof points on the costs of failing to identify and address social and human rights impacts

Types of costs experienced by extractive companies as a result of conflict with local communities (when failing to identify and address social and human rights impacts)		If possible, express costs as: <ul style="list-style-type: none"> <li>• % time delay</li> <li>• USD Budget overspend</li> <li>• USD Cost range</li> <li>• Materiality of impact on budget or schedule</li> </ul>	Comments
Personnel (cont'd)	Retention costs: higher salaries, compensation packages, bonuses.		
	Low morale and stress-related effects.		
	Recruitment: costs of advertising positions, screening, interviewing, induction training.		
	Hiring of consultants and mediators.		
Reputation	Higher expenditure on public relations: consultants, dissemination of information.		
	Competitive loss/disadvantage: negative media coverage, impact on brand, investor confidence.		
	Loss of opportunities with potential partners/bidding processes.		
	Staff and management time in managing forced engagements with communities.		
	Additional (forced/voluntary) commitments for community investments.		
	Damage to key relationships (e.g. national or local government security forces).		
	Increased social and environmental obligations/commitments to mitigate impacts.		
Redress	Compensation (out of court payments).		
	Fines.		
	Costs of administrative proceedings or litigation: cost of proceedings, judgment or settlement.		
Legal/ commercial modification	Cost of changes to licenses or production sharing agreements (e.g. lawyer's time).		
	Change of operatorship.		

### Tool 3

Financial proof points on the costs of failing to identify and address social and human rights impacts

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#### EXAMPLES OF PREVENTION MEASURES

Prevention measures	Estimated cost (context specific)	Further information
Hiring of (additional) Community Liaison Officer/s, Community relations managers.		
Implement Community Grievance Mechanism.		
Need-based community investments.		
Provide human rights and related training to project team members .		
Conduct risk assessments (e.g social, environmental, human rights...).		

# Tool 4: Social risk bowties

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## INTRODUCTION TO IPIECA'S SOCIAL RISK BOWTIES

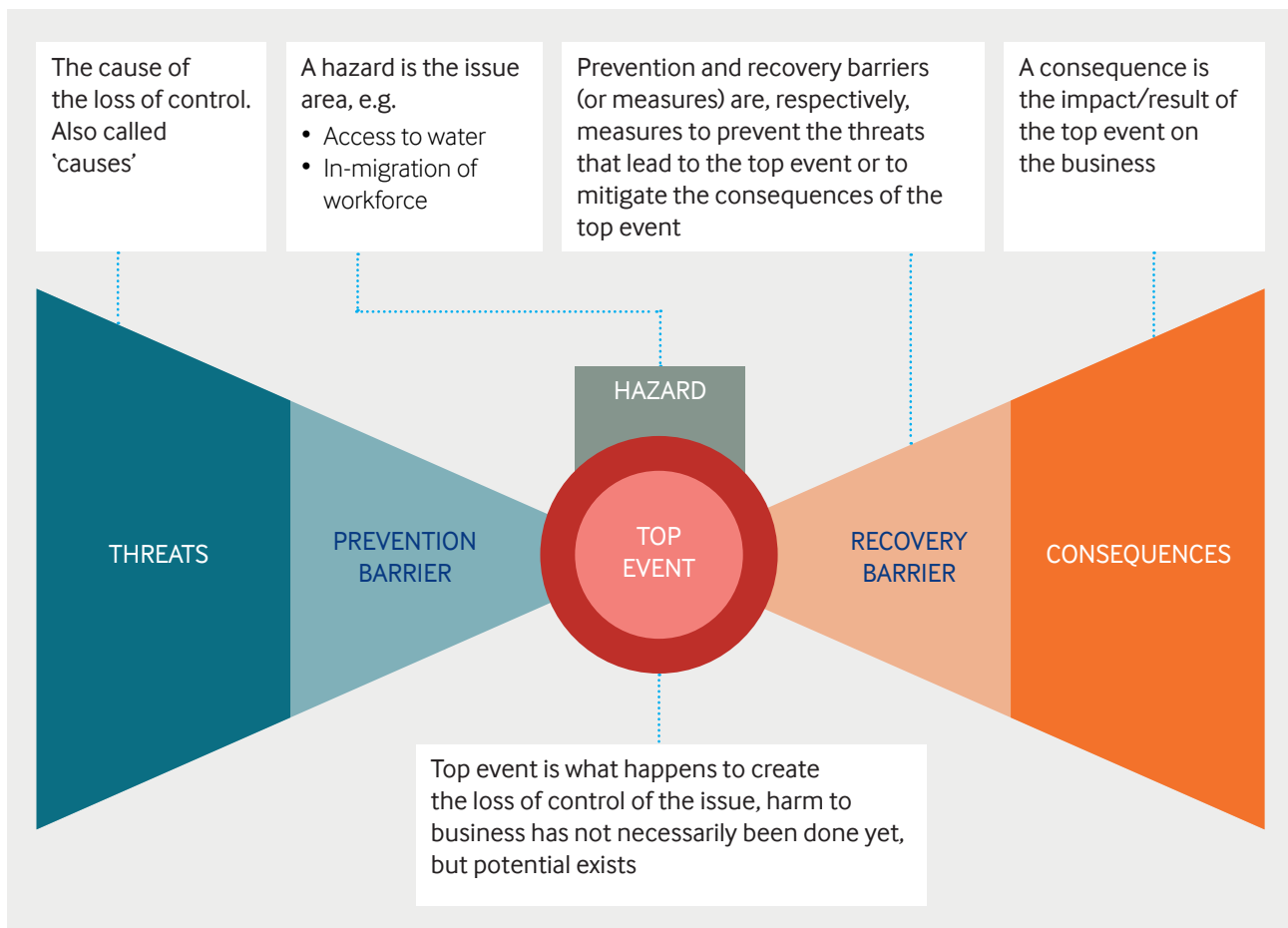
- IPIECA members have identified a need to express social and human rights risks and impacts in traditional risk language, to enable social performance specialists to engage more effectively with their colleagues, and build understanding of these issues.
- Bowtie formats are used widely within the oil and gas industry as a risk evaluation method, and therefore offer an ideal way of expressing social risks.
- Bowties also provide a useful tool for considering the causes and potential consequences of social and human rights risks and impacts, helping to raise awareness within companies of the importance of managing these.
- IPIECA has developed two examples of social risk bowties on:
  - Access to water
  - In-migration of workforce

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## WHAT ARE BOWTIES?

- Bowties are a tool/methodology used in the oil and gas industry to understand and manage safety and operational risk.
- They enable the logical depiction of a risk event, its causes and consequences, and the barriers that can prevent or mitigate the event.
- They help to bring an operational focus to barriers: whether they are in place and whether they are functioning and robust enough to prevent a cause from resulting in an event, or to mitigate the consequences.
- They are a “thinking” tool that allow internal stakeholders (e.g. operations, management) as well as contractors, to think through and discuss risks and potential consequences, and then agree on prevention and mitigation measures to be put into place.
- The quality of bowties can vary, and the more specific they are, the better.

KEY ELEMENTS OF THE BOWTIE APPROACH



BOWTIE TERMINOLOGY

**Hazard:** The potential to cause harm or damage to people, property, socio-economic activity, products or the environment, and incur related losses or increased liabilities.

**Top Event (TE):** A hazardous situation resulting from the “release” of the hazard.

**Threat:** A possible cause that will potentially release a hazard and produce a TE.

**Prevention barrier or measure:** A technical, operational or organizational measure put in place to prevent a threat causing the TE. It can also be called “threat control”.

**Consequence:** The possible result from a TE.

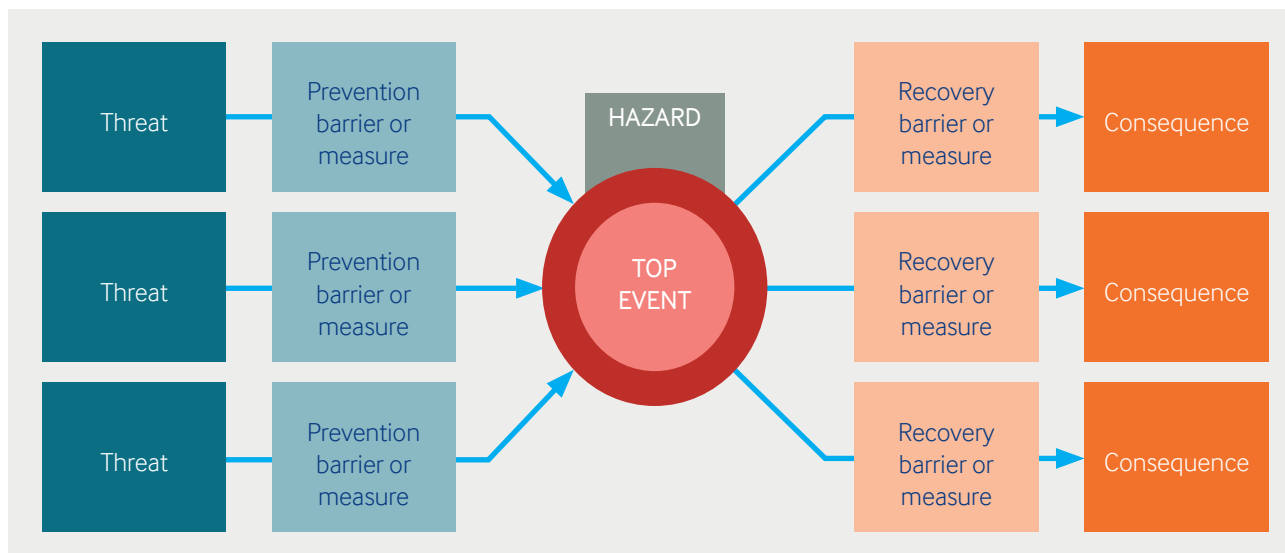
**Recovery barrier or measure:** A technical, operational or organizational measure that reduces or eliminates the consequences arising from a TE. It includes recovery measures after the consequence occurred.

**Scenario:** The entire event or chain of events, from threats, to prevention barriers, to the TE, consequences and recovery barriers.

**Risk:** A combination of the chance that a consequence will occur and the severity of that consequence.

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### A SIMPLE BOWTIE TEMPLATE



### BENEFITS AND CHALLENGES

#### Benefits

The benefits of using bowties can include:

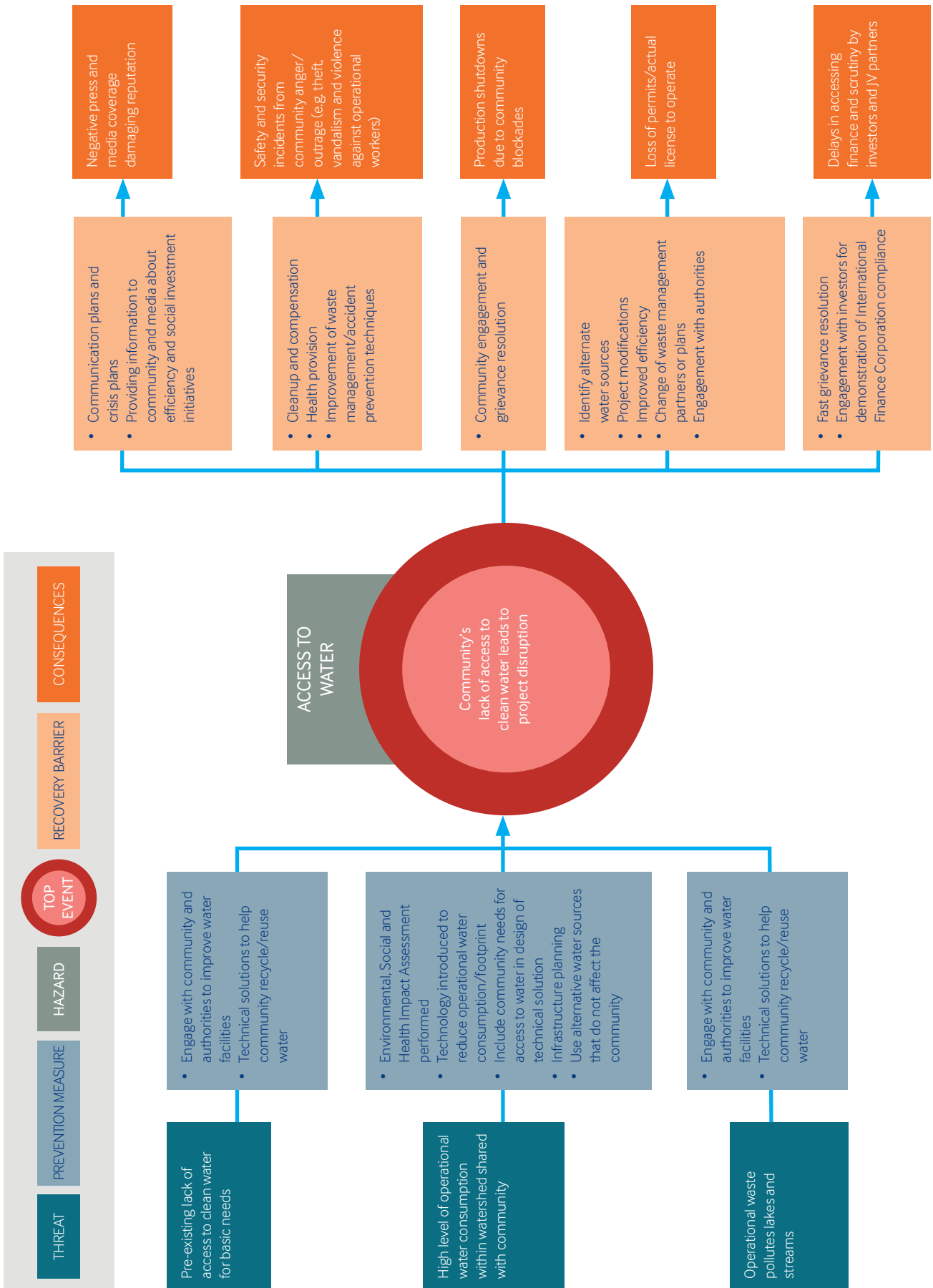
- Demonstrating that social and human rights issues can utilize similar tools and methodologies as operational risks
- Useful tool to consider the causes and potential consequences of social and human rights risks
- May help to raise management awareness of the importance of managing social and human rights risks
- Focus on prevention and mitigation barriers enables companies to improve planning
- Building mutual understanding between risk, environmental and social teams, and operations and project teams

#### Challenges

Practitioners should also be aware of potential challenges in using the bowtie model:

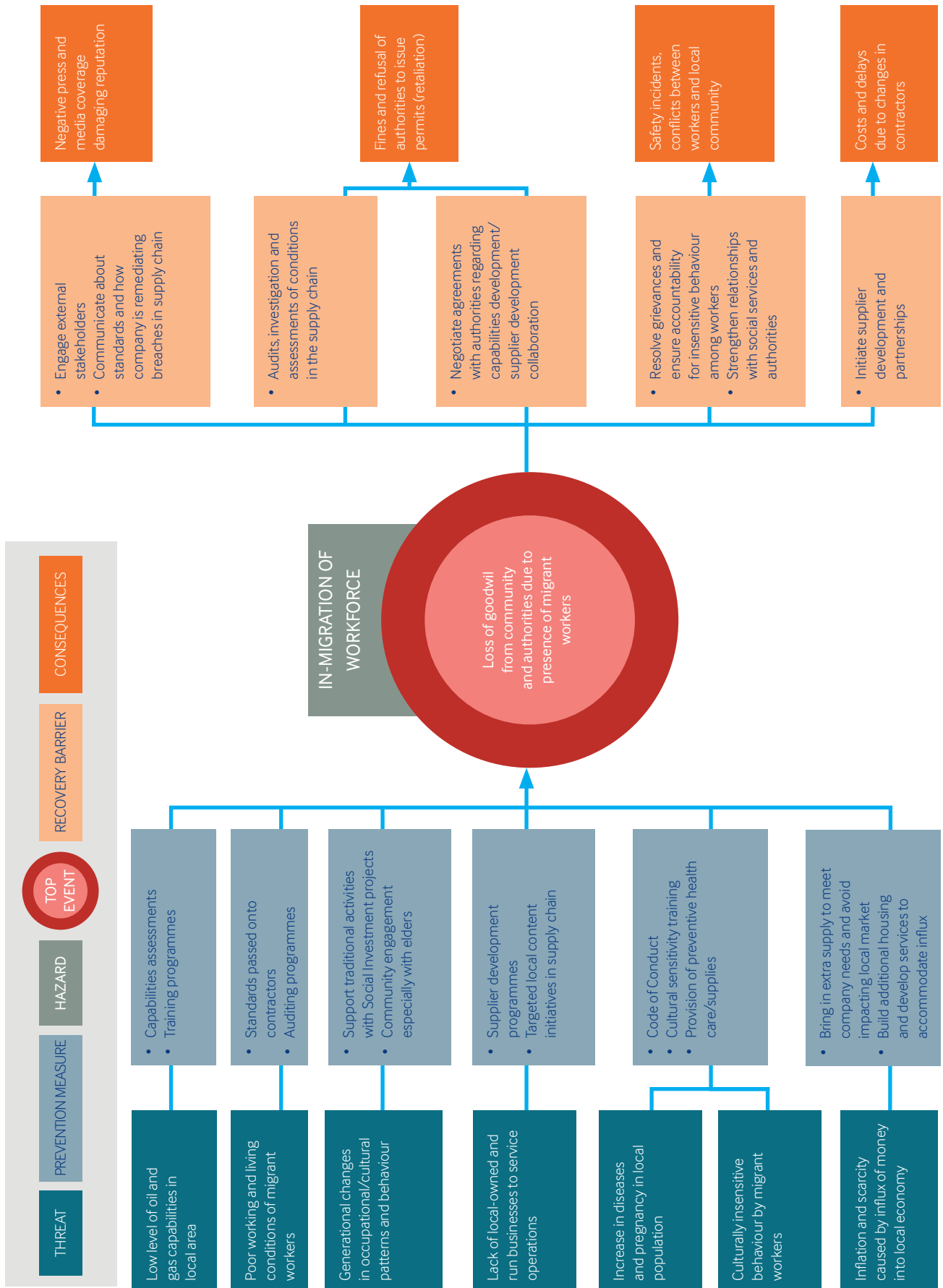
- Defining the potential and actual risk event can be particularly challenging for social and human rights risks
- It is important to discuss and manage the risk event, causes and consequences appropriately
- The original bowtie methodology needs some flexibility, For example:
  - Social and human rights risks do not always have passive physical barriers
  - Some prevention and recovery barriers/measures can be multi-purpose, e.g. grievance mechanisms

BOWTIE EXAMPLE 1 – ACCESS TO WATER





BOWTIE EXAMPLE 2 – IN-MIGRATION OF WORKFORCE



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# IPIECA

IPIECA is the global oil and gas industry association for environmental and social issues. It develops, shares and promotes good practices and knowledge to help the industry improve its environmental and social performance, and is the industry's principal channel of communication with the United Nations.

Through its member-led working groups and executive leadership, IPIECA brings together the collective expertise of oil and gas companies and associations. Its unique position within the industry enables its members to respond effectively to key environmental and social issues.

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