



Making a lasting impression

Building the Business Case for Sustainable
Development Practices

Adam Hawkins
Senior Policy Advisor

Polsinelli provides this material for informational purposes only. The material provided herein is general and is not intended to be legal advice. Nothing herein should be relied upon or used without consulting a lawyer to consider your specific circumstances, possible changes to applicable laws, rules and regulations and other legal issues. Receipt of this material does not establish an attorney-client relationship.

Polsinelli is very proud of the results we obtain for our clients, but you should know that past results do not guarantee future results; that every case is different and must be judged on its own merits; and that the choice of a lawyer is an important decision and should not be based solely upon advertisements.

© 2013 Polsinelli PC. In California, Polsinelli LLP.

Polsinelli is a registered mark of Polsinelli PC

In the beginning...

- Large infrastructure & industrial projects have impacts
 - Negative
 - Positive too
- As operators & decision makers, we influence the short and **LONG TERM** impacts

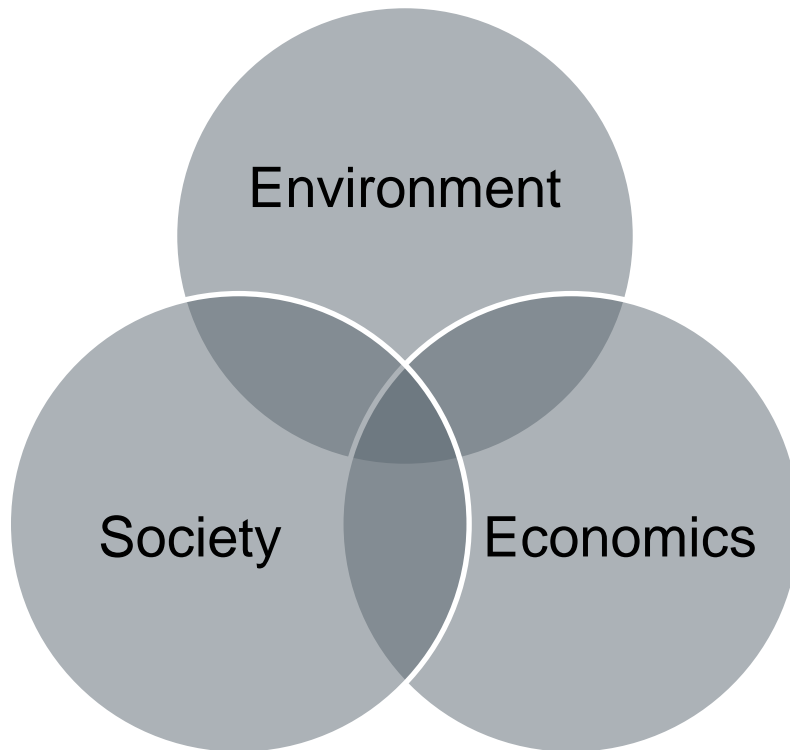
- ✓ It's a factor regardless of how you feel about it
 - ✓ Compliance-related pressures
 - ✓ Demands from society, investors
 - ✓ Competitive advantage
 - ✓ Strategic cost reduction

So what is SD?

Practices engaged in to address issues that occur at the intersection of environment, society and economics.

So, really... What is SD?

What it looks like



- ✓ Environment
- ✓ Society
 - ✓ Social conditions (overlap with economics)
 - ✓ Regulations/ policy
 - ✓ Overall perception
- ✓ Economics
 - ✓ Financial incentives
 - ✓ Costs associated with actions

However...

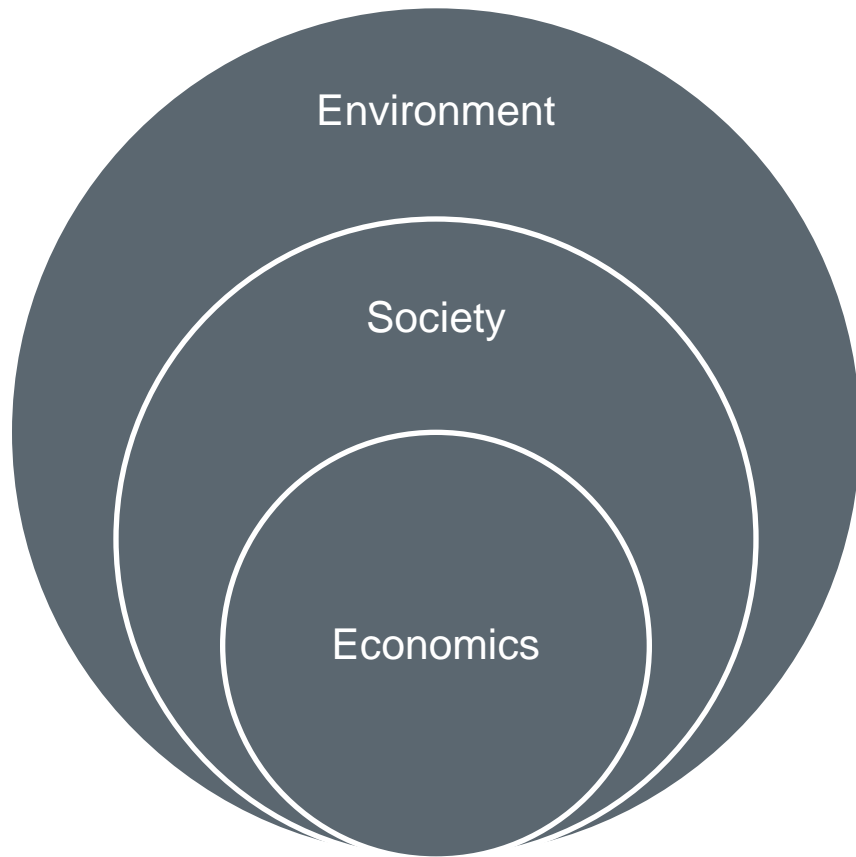
A lot smarter
than this guy

“It’s the economy, stupid”

The new wisdom

- Economic matters are at the core of all SD concerns
- Without proper consideration of economic factors, you are not implementing truly sustainable practices
 - Where is the long-term viability of the project?
 - How does this concept look on a balance sheet or budget proposal?

What it *should* look like



- ✓ Environment, society and economics playing key parts
- ✓ But with economics at the core
 - ✓ Economics influences society
 - ✓ Society influences the environment

I speak SD, but does my senior leadership?

- Are we implementing SD best practices for the right reasons?
 - Regulatory compliance
 - Public/ investor relations
 - Cost containment

Are we effectively communicating this to key constituents?

- How are we demonstrating value?
 - It's the right thing to do
 - We care about the environment, no... really, we do!
 - The public is pressuring us
- All good reasons... for external audiences

The other target...

- Key decisions on implementing and maintaining SD projects are often made internally
- Demonstrating measureable, quantifiable results

Demonstrating measurable, quantifiable results

- Cost containment
 - We saved X\$ this year by...
- Lowering implementation times
 - Faster roll-out = Higher NPV
- Offsetting more expensive closure/ remediation costs
 - Most TVM calculations support pre-emptive remediation
- Increasing profitability through efficiency
 - Less time shuffling, more time producing
- Increasing long-term resource availability
 - Scarcity drives costs
 - Necessity is the mother of invention

The difference between measured and unmeasured

- What can we measure?
 - Environmental baselines and predicted costs associated with remediation
 - Cost of production/ resource efficiency
- What aren't we often measuring but should be?
 - Long-term resource availability

What we sometimes measure but don't often understand

- The Qualitative factors, a.k.a. PR
 - Investor relations
 - Media relations
 - Social license
 - (we'll come back to this concept)

Metrics for evaluating success in the qualitative areas

- Or why we need to understand and properly convey the value of the warm & fuzzy stuff
- Polling
 - Baseline & post-mortem
 - Sample size, oversampling
 - Ask the right questions
- Value studies
 - Axiology... or the intersection of ethics (what's right and good to you, me and Aunt Bea) and aesthetics (what's pretty and fun to be with)
- Stakeholder identification and mapping

The value?

- Understanding issues from your community offers you a clearer target of what areas to focus resources
 - Translates to
 - More support, much faster +
 - More efficient use of resources =
 - More cost-effective, timely projects a.k.a
 - Higher NPV

Social License To Operate

- Get's us from NOPE to NIMBY to Perhaps to Yes, Please to Heck, Yes!
- What is SLTO?
- Why should we care?

The value of SLTO

- “Social license is worth 75% of the top speculative price of a world-class deposit when it’s in the ground and presumed to be development ready”

- Robert Boutillier & Ian Thompson, “*Social License to Operate in Mining*”

Case 1: Foreign Mining Operator

- Permits in place, legal authority to operate
- Taxes paid to federal government
- Site far from the capitol
- Revenues improperly distributed
- Local population revolts
- Operation forced to shut down
- Massive remediation issues
- Still in litigation

Case 2: Domestic Mining Operator

- Locals opposed to operation
- Permits challenged, but later issued
- Long, extensive outreach campaign engaged from operation through closure
- Promises made are kept
- No opposition to closure efforts

More about upstream communication

- **Build on SD practices that have more than just SLTO implications**
 - Case 1) Mining operation teams with nearby municipality on wastewater treatment
 - Town gets new facility
 - Mine gets new source of water
 - Case 2) Partnership with local vocational school to develop skilled workforce
 - Measured impact: Lower costs with on-boarding new hires
 - Un Measured: Better community understanding and buy-in for operation

Why?

- Programs without a demonstrated and tangible value are vulnerable to technical and budgetary decision making

Better communication with technical and financial decision makers means...

- Better critical thinking about project design and budgeting from the planning level forward
 - Engineers thinking about project designs that lower consumption costs
 - The money folks planning for higher upfront costs that lead to lower overall costs and shorter implementation timeframes

Some real juice...

- **PRI**
 - Principles for Responsible Investment
 - \$11 Trillion

Questions?