Report

The financial costs of mitigating social risks

Costs and effectiveness of risk mitigation strategies for emerging market investors

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Photo: Wind turbines, Jiangxi Province, China. Credit: Visual China Group via Getty Images.

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About this publication

This report is part of an ongoing Quantifying Tenure Risk initiative, an FCDO-funded programme that began in September 2017 and is being implemented by ODI and TMP Systems.

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Acronyms

DCF	discounted cash flow
DFI	development finance institution
ESG	environmental, social and governance
ESIA	environmental and social impact assessment
ESMP	environmental and social management plan
FPIC	free, prior and informed consent
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GRI	Global Reporting Initiative
IFC	International Finance Corporation
NPV	net present value
OPIC	Overseas Private Investment Corporation
QTR	Quantifying Tenure Risk
USAID	United States Agency for International Development
XIRR	extended international rate of return
XNPV	extended net present value

Executive summary

This report assesses the costs and effectiveness of responsible investment practices in emerging market contexts. Its results make the business case for investments in social risk mitigation and avoidance practices. Such practices include community engagement efforts, impact assessments and the establishment of grievance resolution mechanisms. Implemented correctly, responsible investment practices engender confidence and trust between investors and local communities, which secures social buy-in and mitigates the financial risks associated with disputes.

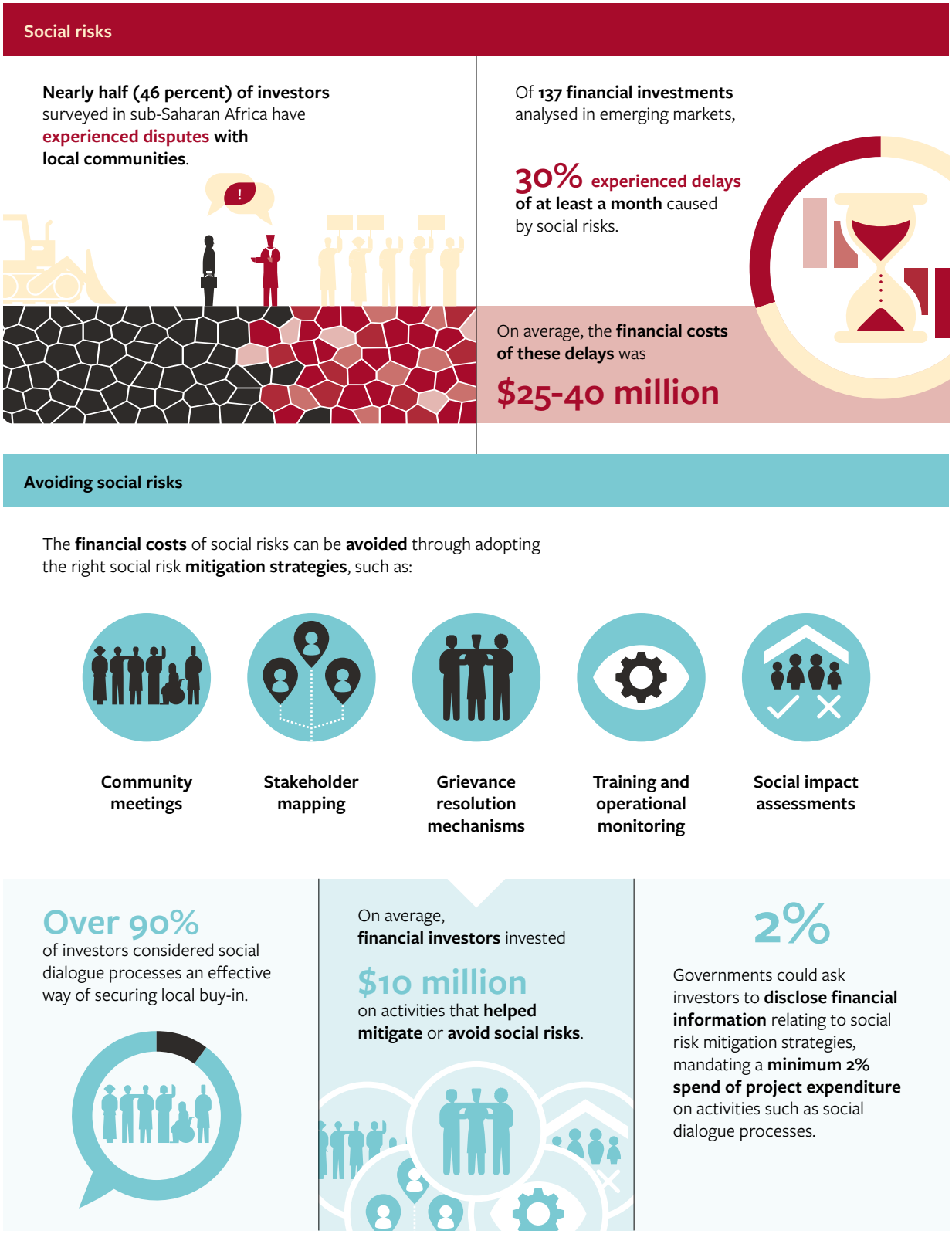
To assess the costs of these practices, we analysed financial data from 137 development finance institution (DFI) investments in emerging markets. We consulted a further 85 agricultural investors in sub-Saharan Africa to further establish the effectiveness of those investments. Our results suggest the following:

- The costs of implementing social risk mitigation activities in emerging markets are around **2%** of project costs (roughly 10% of the net present value (NPV) of investments). Across the portfolio of projects analysed, this represents an average expenditure of around **$10 million** per project.
- This compares to potential financial damages of **$25–40 million** per project, equivalent to 24–37% of the NPV of investments.
- Investors consider **social dialogue processes** to be the most effective risk mitigation strategy. Over 90% of investors in sub-Saharan Africa considered social dialogue to be a highly effective way of identifying community needs, targeting them and achieving social license to operate.
- There is room for improving the effectiveness and reducing the costs of social risk mitigation. Some complex and rigid procedures, such as those typically associated with environmental and social impact assessments or dispute resolution mechanisms, were perceived as cost-inefficient and ineffective by 12–15% of agricultural investors.

We conclude that investments in social risk mitigation and avoidance make clear financial sense. By setting aside at least 2% of the initial NPV of an investment, investors can avoid financial risks that, conservatively, are up to four times the cost of risk mitigation procedures (Figure 1).

To mitigate social risks in the broader emerging market investment landscape, social dialogue processes should be integrated in national and international investment approval procedures and disclosure requirements. Governments interested in mitigating the social risks of both domestic and international investors should introduce requirements for spending on stakeholder mapping, broad-based community consultation and needs-based community development programmes. As a rule of thumb, they could ask investors to set aside a minimum of 2% of project expenditure on community engagement activities. Voluntary environmental, social and governance (ESG) standards, such as the Global Reporting Initiative's (GRI's) topic-specific disclosure requirements, offer frameworks for monitoring such efforts and thereby ensuring social risks are mitigated. This would lead to better business performance, a better investment environment and better local impact.

Figure 1 Summary of findings showing business case for social risk management



Financial lenders in emerging markets need to ensure that capital is structured in a way that gives operators the time required to secure local buy-in (or for communities to withhold consent if wanted), reduce long-term risks and avoid short-term profit-maximising strategies. Social dialogue processes should be set up as early as possible in the investment cycle, and should be considered an integral and continuous process.

There is also a need to improve systems that support social and environmental risk mitigation. Price transparency, further research on effectiveness, better integration of local suppliers, and improved processes for standards compliance can help achieve this. Efforts should be expanded beyond agriculture towards other investments where both people and natural resources are affected, such as renewable energy and infrastructure projects. Investors should consider the impact that climate change is having on their operations, and identify measures that can help mitigate those effects by working with local communities.

Photo: Greenhouses with solar panels on their roofs, Guizhou province, China. Credit: STR/AFP via Getty Images.

Box 1 Key findings

- Analysis of 137 development finance institution investments in Africa and Asia reveals a strong business case for investing in actions that mitigate social risk. The costs of these actions are typically 2% of overall project expenditure. Average costs were approximately $10 million across the projects analysed.
- These costs compare to potential financial losses of, conservatively, $25–40 million (24–37% of average NPV) from physical risks mitigated and avoided by these actions. Specifically, these actions help to avoid delays caused by disputes between investors and local communities ('tenure risk').
- Qualitative evidence from interviews and a business perceptions survey of 85 investors operating in sub-Saharan Africa suggests that social dialogue processes are the most effective risk mitigation strategy. Over 90% of investors considered social dialogue to be a highly effective way of identifying community needs, targeting them and achieving social licence to operate.
- There is room for improving the effectiveness and reducing the costs of social risk mitigation. Some complex and rigid procedures, such as those used in social impact assessments and grievance mechanisms, were perceived as cost-inefficient and ineffective by 12–15% of investors.

Main recommendations

- To mitigate risks and protect their bottom lines, investors should invest time and resources in stakeholder mapping exercises, broad-based local community consultation and needs-based community development programmes. Capital should be structured in a way that gives investors the resources to act early and patiently to secure local buy-in, reduce long-term risks and avoid short-term profit maximising strategies that ignore the value of social license to operate.
- Governments seeking to mitigate social risks should introduce requirements for spending on social dialogue mechanisms and for disclosure of related information, such as those already incorporated in some voluntary ESG standards and frameworks. For example, governments could ask operators to invest a minimum of 2% of their project expenditures on specific activities related to community engagement. Disclosing financial information on this spending would ensure actions are implemented and create data for learning and improvement. This would lead to better business performance, a better investment environment and better local impact.
- Projects with high exposure to social risks have a strong incentive to invest in ways that reduce the costs of social risk mitigation while increasing their effectiveness. The systems that support social due diligence and dialogue in these settings are still immature and there are likely to be significant gains for further research on effectiveness, better integration of local suppliers and improved processes for standards compliance. Donors and investors should also investigate ways of mainstreaming due diligence processes for screening social and climate-related risks of their investments by working with local communities.

1 Introduction

Social risks[1] are endemic in emerging markets, especially in the form of the financial damage caused by disputes between investors and local people over land or natural resource claims. Where grievances emerge, they can obstruct operations, lead to delays and, in the worst cases, erupt into violence, project cancellation or bankruptcy. In a previous report (Locke et al., 2019), we quantified these risks and discovered that in the worst case they could amount to 300% of the NPV of an investment.[2]

Disputes over natural resources are also persistent, often spanning generations. This can discourage future investors and can have long-term impacts on political stability and conflict dynamics. Social risks can therefore create lose–lose outcomes for investors, local people and national governments, and represent one of the biggest barriers to economic development in emerging markets.

Nonetheless, these risks can be managed and they can be avoided. First, by giving local communities the right to give or withhold consent to a project that may affect them or their territories (i.e. free, prior and informed consent (FPIC)). Second, by following a plethora of guidelines that now exist on how investors can establish bottom-up participation and consultation of local populations. The practices that are held up by these guidelines, such as regular community meetings or stakeholder mapping processes, can help investors secure 'social license to operate' – broad-based support of local communities.

Despite this, social risk experts in project finance often struggle to convince financial, legal or procurement teams to take such issues seriously. In part, this is because there is little understanding of the size of the risk and the financial damage it can cause. For an average-sized sugar investment in sub-Saharan Africa, disputes could lead to financial losses of over $100 million. For future large-scale investments in infrastructure and renewable energy, these financial losses could be even larger and could therefore threaten a just and sustainable transition to a low-carbon economy.

While an increasing number of investors are beginning to understand the magnitude of social risks in emerging markets, less is known about the cost and effectiveness of responsible investment practices that can assess and reduce these risks. In previous phases of this research, we found that few private investors had formal methodologies in place to assess social risks, despite widespread acceptance of its financial significance (Locke et al., 2019). In response, we developed a financial model that enables investors to assess their exposure to tenure risk in financial terms. This process showed us that

1 Social risks are the negative consequences to investors that result from their impacts on local communities or people. Social risks can be direct (e.g. where a dispute with communities causes a delay to operations) or indirect (e.g. where a dispute causes reputational damage or legal repercussions). They can also cover different social issues, such as labour rights, human rights or corruption. In this report, we define social risk as direct financial risks caused by disputes between investors and local communities over land and natural resource claims.

2 Or up to $101 million for agricultural investors in sub-Saharan Africa.

the costs and effectiveness of measures to mitigate and avoid social risks remain obscure to businesses. This makes it difficult to demonstrate that responsible actions represent value for money in the form of reduced risk.

> All that is important is to have a listening ear. To create, build and nurture good relationships with your host community, to hold regular meetings on important and relevant matters, and to show concern over issues that affect the host community. (Horticultural producer in Northern Nigeria)

In this report, we address this problem in two ways. First, we analyse data from 137 financial investments in emerging markets to better understand the costs of social mitigation processes. Second, we use qualitative assessment from 35 interviews and a survey of 85 businesses operating in sub-Saharan Africa to establish which of these practices are considered most effective.

2 Approach

2.1 Theory of change

The Quantifying Tenure Risk initative (QTR)'s theory of change suggests that quantifying social risks, especially those related to disputes over natural resources such as land, will incentivise financial investment in emerging markets. This entails quantifying not only the direct financial losses that may emerge from such disputes, but also the costs of mitigating them. It does not, at present, capture the financial risk associated with reputational damage, litigation and other indirect financial risks associated with natural resource disputes. Nor does it capture the benefits of positive social impact, such as financial returns from operational efficiency that result from trusted partnerships between local communities and investors, or the co-benefits from preserving natural resources.

Currently, private institutional investors typically focus on assets in more developed European, North American or Asian markets, which offer lower but steadier returns. Private financial investment in sub-Saharan Africa is predominantly implemented by DFIs and private foundations, many of whom are more interested in the non-financial impact of their portfolios. While there is growing interest in environmental and social impact outcomes (see e.g. GIIN, 2020; OECD, 2020), the risks of investing in emerging market assets is widely perceived as being too high for most risk-averse mainstream institutional investors.[3]

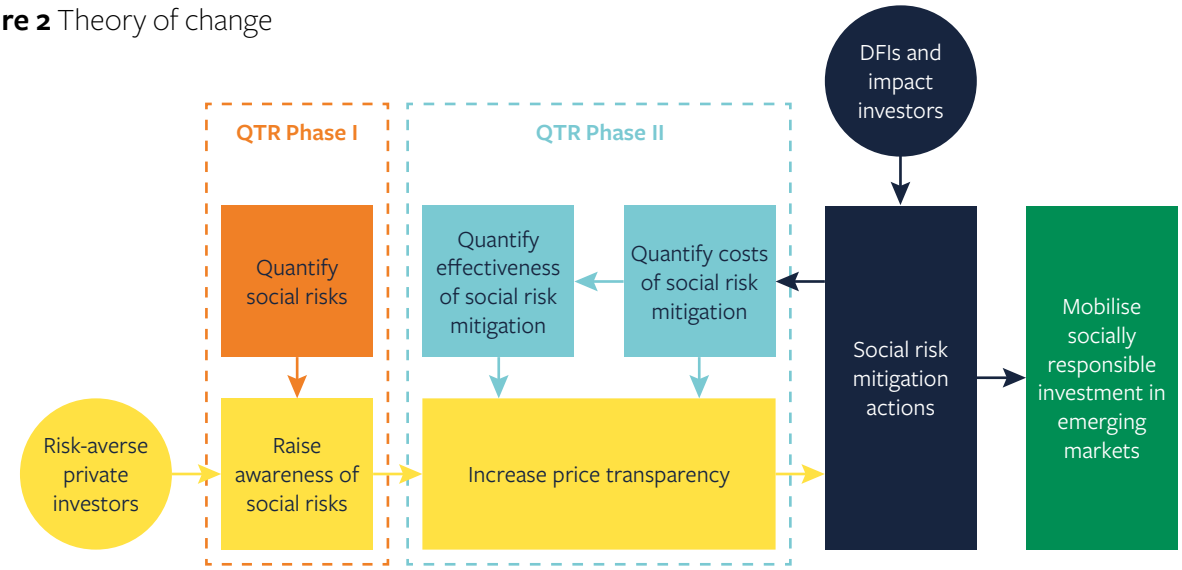
Quantifying social and environmental risks can help remedy misperceptions that risks are too high in some emerging market settings. More significantly, quantifying these risks represents a first step towards managing, mitigating or avoiding them. This is because investors are unable to tackle social and environmental risks without knowing the magnitude of those risks.

Once the magnitude of risks is known, investors also need to be assured that social risk mitigation efforts are effective and that the overall risk-to-reward ratio is enough to justify the investment. Using data from DFIs can help to increase price transparency and give private investors more confidence about budgeting for social risk mitigation activities (Figure 2). It can also help them to identify which activities have worked and which are most effective.

The outcome is a scenario where investors are able to identify, account for and manage social risks in emerging markets, unlocking responsible investment opportunities and leading to positive development outcomes.

3 Private equity investors searching for high yields often invest in emerging market assets.

Figure 2 Theory of change



Note: DFI = development finance institution.

2.2 Quantitative data collection

2.2.1 Expenditure on social risk mitigation measures

Social due diligence systems in emerging or frontier markets are often immature, allowing for little price transparency of social risk mitigation efforts.[4] This makes it difficult for companies unfamiliar with a particular area or geography to determine how much of their investment needs to be set aside for such activities. Furthermore, where responsible investment processes are carried out, it may not always be possible to determine whether they have been effective in terms of reducing social risks.

From a data collection perspective, most cost and risk data in private transactions is proprietary. Collecting and analysing it therefore requires close collaboration and mutual trust, especially around sensitive issues such as disputes over land and other natural resources. As such relationships are difficult to strike up remotely, planned data collection for this report was to involve three field visits in East, West and Southern Africa. In-person meetings and visits would have facilitated the collection of necessary financial data, but plans were disrupted by the Covid-19 pandemic.

Instead, data collection concentrated on publicly available financial expenditure data in environmental and social impact assessments (ESIAs) or environmental and social management plans (ESMPs). This information was primarily collected for projects led by DFIs, such as the African Development Bank, the Asian Development Bank, AgDevCo, the Japan Bank for International Cooperation and the World Bank.[5]

4 Often, this necessitates the use of expensive international consultants who may be similarly unfamiliar with the particular context.

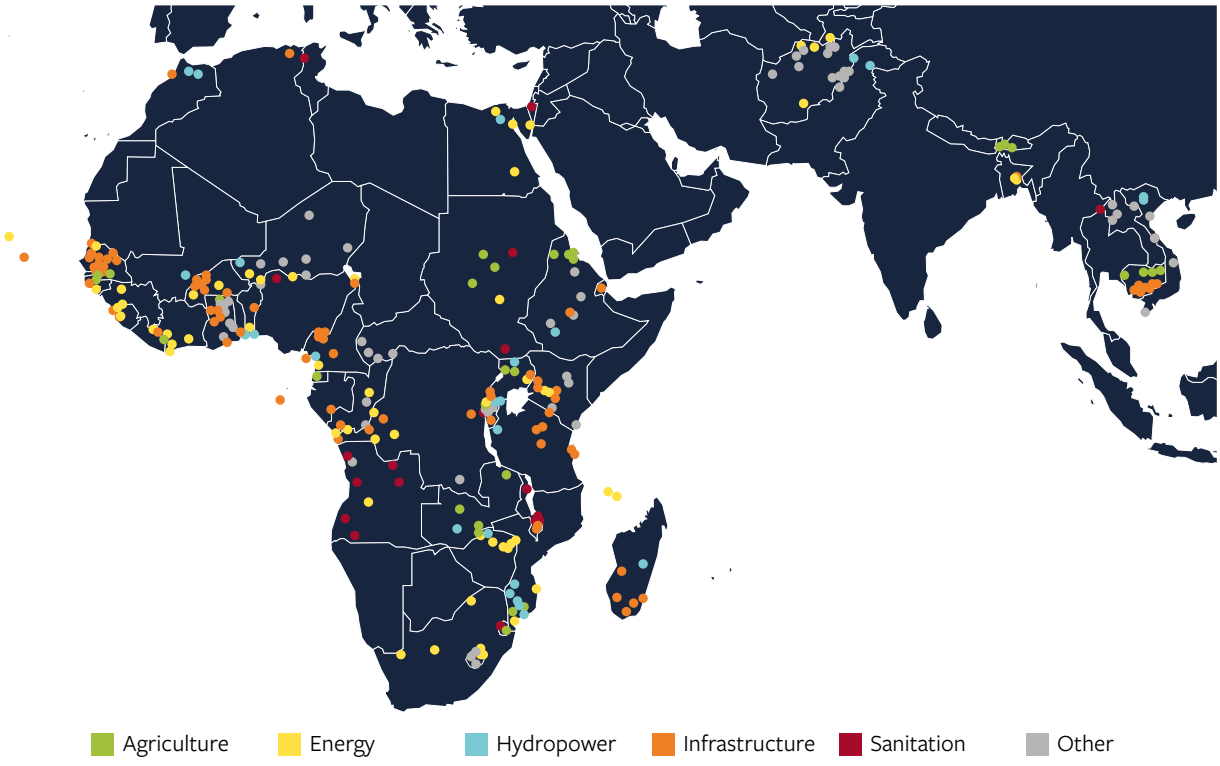
5 In addition to DFI-funded projects, we used ESIAs and ESMPs from a hydropower project in Pakistan funded by the United States Agency for International Development (USAID) and Third Optional Protocol to the Convention on the Rights of the Child (OPIC) and a forestry project in Laos funded by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

In total, we reviewed financial data from 137 projects across 56 countries in Africa and Asia (Figure 3 and Appendix 1). For each project, a detailed financial breakdown of expenditure on social and environmental risk mitigation was available. We extracted relevant expenditure and converted it into United States dollars based on the date that the expenditures were made. The time period for the projects ran from 2002 to 2020, enabling the inclusion of at least two projects for each of the countries analysed.

This approach allowed us to address two issues. First, many smaller privately-funded investments in emerging markets do not give a financial breakdown of expenditure on social risk mitigation, or have devoted negligible resources due to lack of awareness. While this is changing rapidly due to a growing wave of private impact investors and increasingly strict disclosure requirements, DFIs have a much longer track record in investment in social and environmental risk mitigation measures. The International Finance Corporation (IFC)'s Performance Standards, for example, offer the most widely-used resource for assessing and managing social and environmental risks in emerging market settings (IFC, 2012).

Second, where we did receive financial data from private investors, it was often so project-specific that it was impossible to compare with data from other projects and so could not be used for quantitative analysis. Although some data had to be aggregated because different institutions used different terms and breakdowns, the DFI data was broadly comparable.[6]

Figure 3 Map of DFI projects reviewed for this research



6 Nonetheless, a number of project accounts which did not have the suitable level of detail in the cost breakdown of the ESIA/ESMP documents had to be discarded.

2.2.2 Delay data

We also analysed whether the DFI projects had been involved in any delays. In most cases, delays could be identified from project completion or evaluation documents. Where these were unavailable, news media, independent reports and research studies were used to plug information gaps. Delays were rated using the following five-point scale: (i) no delay; (ii) less than a month; (iii) more than a month; (iv) more than a year; (v) cancellation/abandonment.

2.3 Business perceptions

We complemented the financial analysis using qualitative data from a remote business perceptions survey. The survey was sent to 727 private businesses operating in the sub-Saharan African agricultural supply chain. The majority of the businesses surveyed were located in West Africa (41%) and Southern Africa (34%) (Figure 4).

The survey (see Appendix 2) comprised a short series of questions that covered four areas:

- the profile of the business: e.g. sector and geography
- experience of social risk: experience of dispute, financial impact of dispute
- experience of social risk mitigation and avoidance actions: procedures implemented and perceived effectiveness of those procedures
- options for follow-ups, including contact data, preferred mode of dissemination and willingness to be interviewed.

The survey was piloted with DFIs, commodity traders and producers in April 2020 to gather feedback on its design and presentation. As a result, the number of questions was reduced significantly and questions that were deemed too financially sensitive were removed.

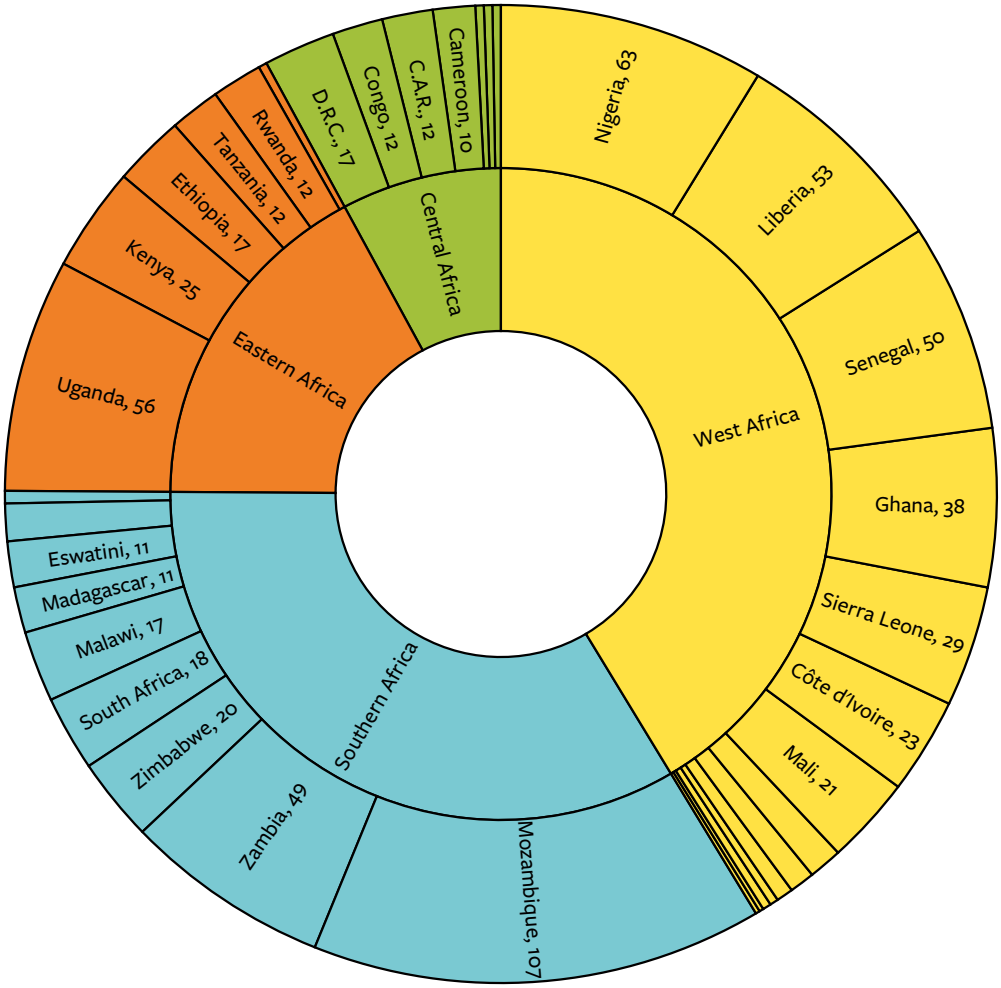
The survey was distributed using Mailchimp and personalised emails in English and French over three rounds between September 2020 and April 2021. The personalised emails proved most effective and resulted in an overall response rate of 11.7% (85 responses). We consider this high given the challenges of collecting remote survey data in a rural, emerging market during a global pandemic. The only comparable survey that the authors are aware of, the USAID *Investor Survey on Land Rights* (USAID, 2018), had a response rate of 2.9%.[7]

Of the businesses that responded, 35 agreed to being interviewed by telephone, video conference or in writing. Interviews were semi-structured and informal, following a template (see Appendix 3) that was similar to the online survey, but which was focused on gathering information on the effectiveness of mitigation and avoidance actions, as well as ideas about how to make them more cost-effective. The data gathered from this process is largely anecdotal, but provided for a valuable supplementary layer of analysis that helped us to interpret the quantitative findings.

The majority of participants spoke in a personal capacity, and therefore preferred not to disclose their name or the name of the business they work for. In some cases explicit permission was received to share this information, which has allowed us to include in this report some quotes extracted from participants' responses.

7 The survey was sent to US-based companies, fewer of whom would be familiar with the social risks associated with land rights compared with businesses operating in sub-Saharan Africa (where such issues are endemic). This may explain the difference in response rates.

Figure 4 Geographical distribution of business survey recipients



Note: Countries not displayed: Chad (2), Mauritania (2) and Niger (2) in Central Africa, Mauritius in Eastern Africa, Namibia (9) and Botswana (3) in Southern Africa, and Benin (4), Burkina Faso (8), Gabon (6), Gambia (1), Guinea (2), São Tomé and Príncipe (1) and Togo (2) in West Africa.

2.4 Data limitations

Our research pulls together a strong set of quantitative and qualitative data across relatively large samples, but there are also limitations that might be addressed in subsequent research efforts.

The main challenge related to identifying and categorising data related to expenditure on social risk mitigation. As noted, DFIs provide good breakdowns of expenditure which can be compared, but they do not use the same categories, currencies or terms consistently (even within organisations). We therefore needed to make judgments regarding which expenditures should be included.

Expenditures on actions such as consultation, impact assessment, dispute resolution, capacity-building and compensation were all included because of their very direct connection to achieving social license to operate. However, we also took note of previous research that shows that 26% of disputes are caused by environmental issues (making this the second most common cause of disputes)

(TMP Systems, 2016). We therefore also included some expenditures that related to the assessment and mitigation of environmental impacts, provided there was a clear connection to social license issues (e.g. managing air and noise pollution).

This limitation in the data, which could be broken down with greater granularity, does not alter the force of our argument: it results in higher costs, but our research shows that these expenditures still represent good value for money (i.e. they represent one-fifth (20%) or less of the cost of social risk).

The other key limitation in our data relates to the focus on DFIs in the quantitative data. As noted, this was the only data that we could find in the public domain that was fit for purpose. But our survey data comes from a different set of stakeholders: private businesses in the African agriculture sector. These differences are more than sufficient to prevent direct comparison of our quantitative and qualitative datasets. Since they have a specific mandate to secure development outcomes, DFIs may spend more on social risk mitigation than some private investors. However, they may also have more experience in social risk mitigation and therefore face lower costs than private sector actors.

Nonetheless, our data is complementary. The basic picture substantiated by our quantitative research can be effectively compared and contrasted with our survey responses to present a balanced and revealing picture, albeit one that would benefit from further development.

2.5 Model methodology

The data and information gathered from the financial analysis, the survey and the interviews was used to update a discounted cash flow (DCF) model that can be used by businesses to estimate social risk. The model is built on the assumption that the primary financial impact of social risk is to delay operations. This delay can occur in two ways:

- At **inception**, typically through opposition from local communities directly or indirectly affected by an investment and requiring renegotiation, administrative delays (e.g. caused by opposition from local government) or, in the worst case, repair or reconstruction of damage caused by local opposition.
- During **operation**, usually because of the associated disruption to production of an expected output (e.g. crop production, electricity generation, etc.) that is needed to generate revenue. In the meantime, we assume that operational expenditure continues.

The financial impact of these delays can be captured using the DCF model to derive the NPV of a project. The NPV can be used to generate a comparable measure of the magnitude of social risks associated with investments.

We ran the model for each of the 137 DFI projects for which financial data was available (see details in Appendix 1). Although data on the overall project size was available, it is not typically broken down on the year-on-year revenue, capital and operational expenditure basis required for a DCF model. When running the model, we therefore made the following basic assumptions when constructing the DCF for each project:

- Project duration is 25 years, regardless of type or location.
- Each project's total cost is used as its capital expenditure. It is assumed that all capital expenses fall in the first year.

- Annual operating expenditure is 2% of the capital expenditure.
- There are no annual revenues for the first two years. Thereafter there is an annual increase of 200%, starting with a base of 0.5% of the capital expenditure in year three, until a plateau of revenues equivalent of 36% of capital expenditure is reached in year nine.
- A 10% discount rate is applied to all projects to capture interest rate developments. This assumption is supported by existing research on discount rates in the Global South (Warusawitharana, 2014).

The extended internal rate of return (XIRR) across all projects is calculated as 12.88%. This falls into the middle range of internal rates of return for DFI projects.[8] The extended net present value (XNPV) varies depending on the total project cost.

These baseline values are then compared with the equivalent XIRR and XNPV values resulting from delay scenarios. The extent of these delays (in number of days), and hence their financial impact on a project (e.g. in terms of foregone revenue), varies depending on a project's geographic location. Risk factors associated with known historical disputes over land (social risks) vary by location and affect the parameters of the simulation. A summary of the methodology used to calculate this is provided in Box 2.

The difference between the XNPV and XIRR values in a delay scenario and the baseline values represents the potential financial impact of social risks. This can be compared with the expenditure on social risk mitigation and avoidance actions to complete a cost–benefit analysis.

Box 2 QTR methodology

1. Using the project's location as an input, a risk score is generated based on the correlation between various geospatial risk factors and historical reports of project delays. A detailed explanation of this methodology is provided in the 2019 QTR report and appendix (Locke et al., 2019).
2. The risk score is compared to a set of cases of known project delays to determine a best, median and worst scenario, expressed as a number of days.
3. The delays are applied at the inception (greenfield) and operational (brownfield) phases of the project, while retaining the original capital and operational expenditure projections and resulting in an XIRR of 12.28% across all projects. XNPV values are calculated for both scenarios, depending on costs and location.
4. The three XNPV values (best, median, worst) for the inception and operational delay scenarios are averaged to obtain two final XNPV values.
5. Finally, the XNPV values for greenfield and brownfield investments are subtracted from the baseline XNPV value (i.e. the value that would have resulted had no delays occurred).

8 A recent review of historical IFC financial statements shows that rates of return (on equity) were between –0.9% and 20.6% between 2000 and 2019, averaging at exactly 7% (Cole et al., 2020). Another study by the Japan International Cooperation Agency for a public–private partnership infrastructure project in Vietnam in 2013 sets an internal rate of return of 10–15% as 'medium' (JICA, 2013).

3 Findings

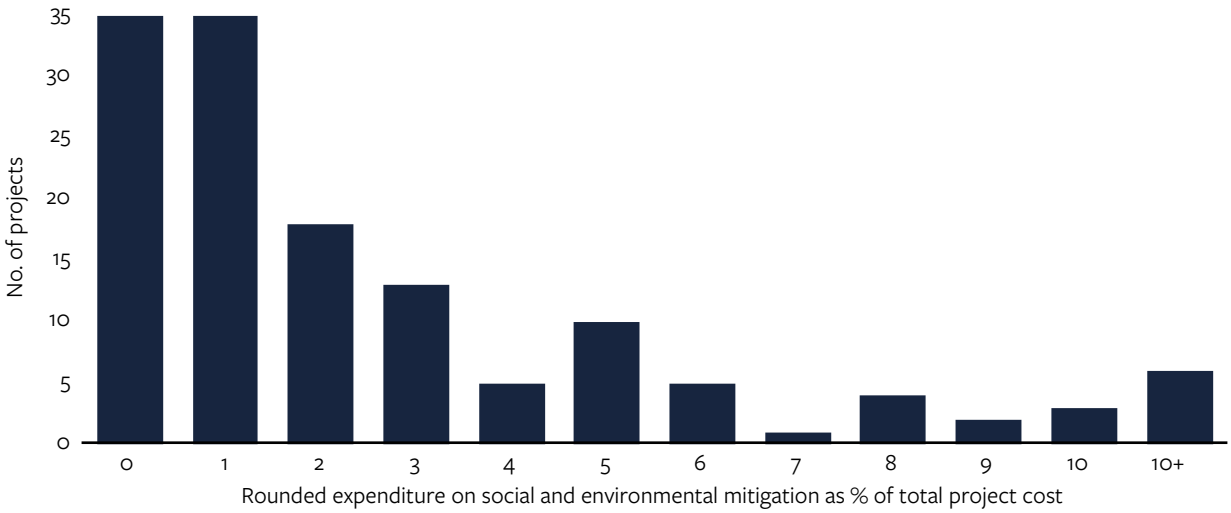
3.1 Investors spend 2% on social risk mitigation

Average expenditure on social and environmental risk mitigation was approximately **2%** of total project costs. With project costs averaging $497 million across the 137 DFI projects analysed, this represents a cost of just under **$10 million** per project to mitigate social and environmental risks.

The vast majority of projects analysed (106 projects or 77%) implemented social risk mitigation measures that represented 4% or less of their total expenditure (Figure 5). However, there were some outliers, for which expenditure on social risk mitigation was excessive. For many of these projects, the high costs were influenced by compensation or resettlement payments. For example, one extreme outlier, the Kandadji Dam Project in Niger, funded by the African Development Bank, involved risk mitigation costs of 56.8% of the total project cost.[9]

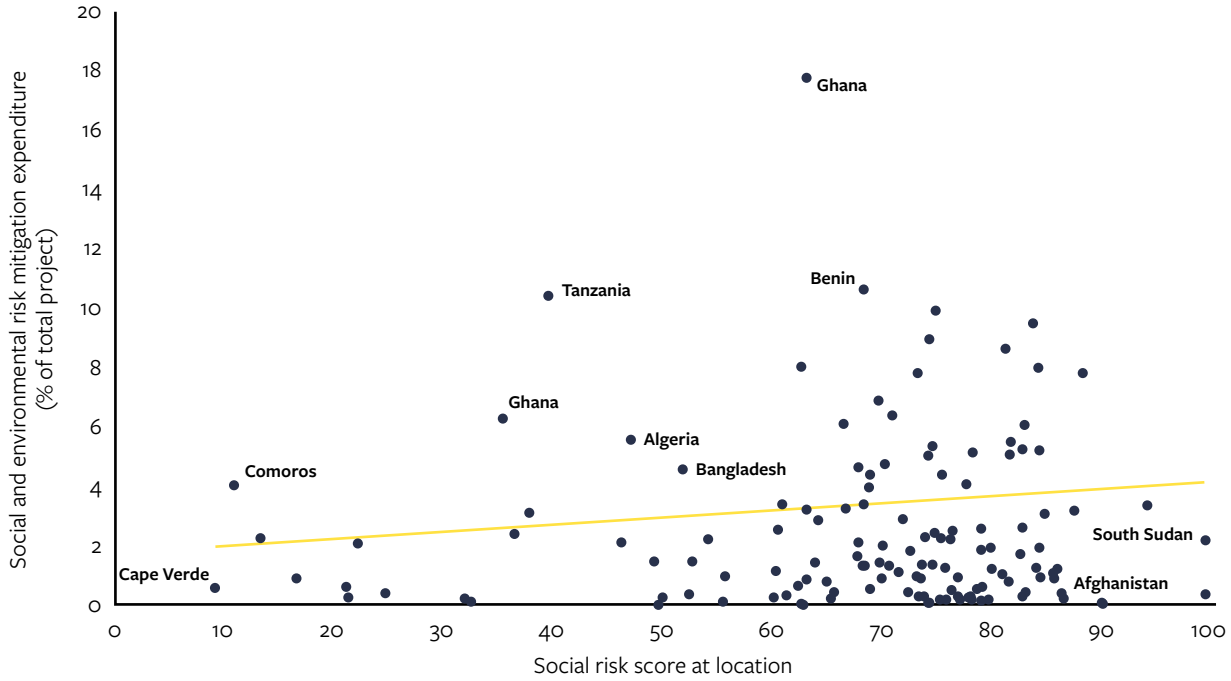
There is a weak but positive and statistically significant correlation between expenditure on social risk mitigation and the magnitude of social risks (Figure 6). However, there are numerous outliers at either end of the risk distribution, where projects have above- or below-average expenditure on social and environmental risk mitigation relative to the risks associated with the geographical location. Some of these outliers are located in small countries such as the Comoros, where risks are low but service delivery costs are high. In other locations where social risks are high, such as parts of Afghanistan or South Sudan, projects exist where expenditure on risk mitigation is below average. This suggests that expenditure is influenced by a host of contextual factors that are not necessarily captured by risk scores, and that investors therefore cannot rely on such metrics alone to determine how much budget should be set aside for risk mitigation.

Figure 5 Number of projects by expenditure on social and environmental risk mitigation



9 This is due to compensation payments, amounting to $435 million, associated with the resettlement of 8,150 people in hamlets and villages affected by the reservoir and dam.

Figure 6 Expenditure on social and environmental risk mitigation against risk score of project location



3.2 The cost of social risks is up to four times higher than the cost of mitigating these risks

Without adopting social risk mitigation strategies, investors risk losing **$25–40 million** due to delays to the inception or operation of a project. This represents a loss of **24–37%** of the NPV across all projects analysed. On average, the financial damage caused by social risks ($25–40 million) can therefore be up to **four times higher** than the cost of risk mitigation ($10 million).

These figures represent averages, so again there are notable outliers. For nine cases, the financial risk of delays caused by social risks was more than $100 million, but in 38 cases it was less than $5 million. The size of a financial risk is highly dependent on a project's location, its overall size and the structure of the investment.[10] We also do not include projects that were cancelled or abandoned, and for which risk mitigation data is not available. For these projects, the financial risks are many times higher than the costs of mitigating them.

To analyse this further, we compared the financial risks that projects face with their expenditure on social risk mitigation. If that expenditure is greater than 50% of the financial risk that a project faces in its particular location, the risk mitigation effort was considered 'poor' value for money. Using a hypothetical example, a project that spends more than $5 million on social risk mitigation efforts when the average financial risk in the project location is $10 million would be considered poor value for money. In addition, we automatically categorise projects that experienced delays of more than a year as 'poor' regardless of their expenditure on social risk mitigation (Table 1).

10 For example, the analysis assumes that 100% of the capital expenditure falls within the first year of the investment. However, for most agricultural investments capital expenditure is likely to be spread across a number of years (e.g. to allow for planting), with large expenditures occurring at a later stage (e.g. when throughput is sufficient for processing). We discuss this in Chapter 4.

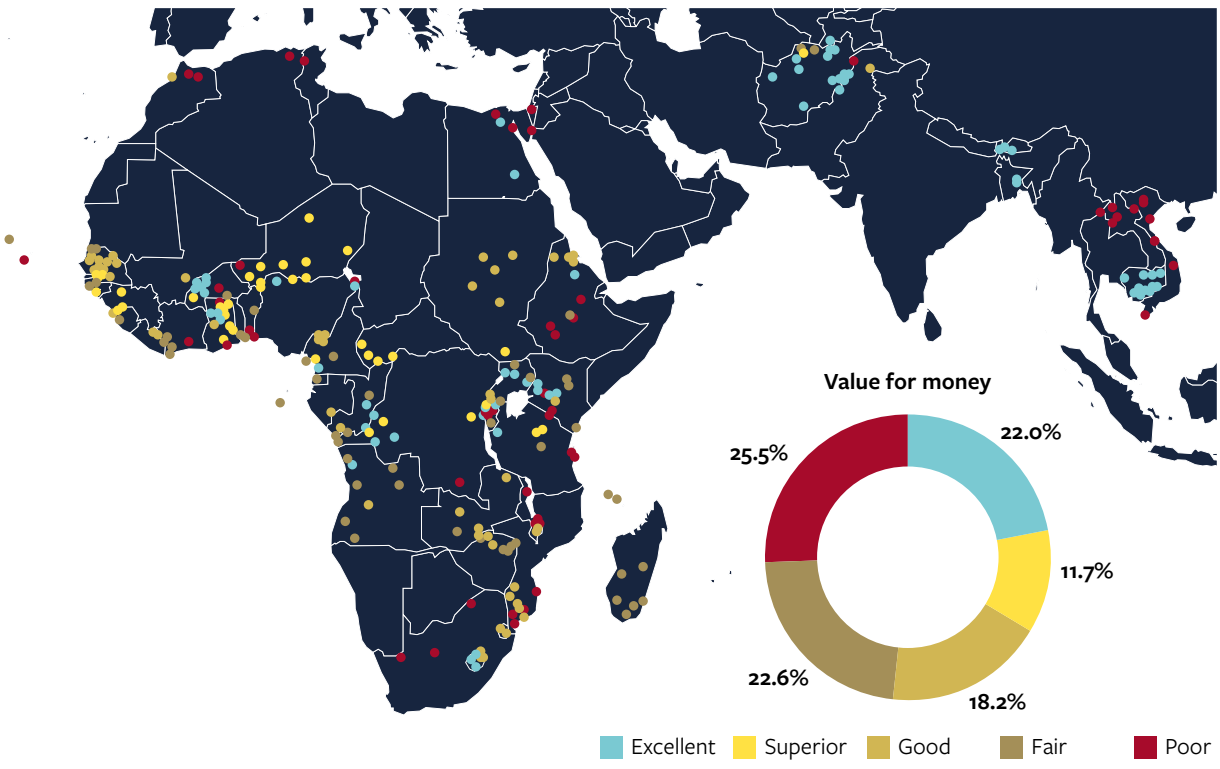
Table 1 Value for money criteria

Value for money	Cost of mitigation as % of social risk	Additional criteria
Poor	50	Delay > 1 year
Fair	20–50	Delay = 1–12 months
Good	11–20	N/A
Superior	5–10	N/A
Excellent	5	N/A

Risk mitigation expenditure was considered 'good' to 'excellent' if it represented 20% or less of the financial risk. Projects experiencing moderate delays of 1–12 months were automatically categorised as 'fair', regardless of their expenditure. The breakdown by category is shown in Figure 7, together with a map of project locations.

There are two significant findings that result from this analysis. First, as shown in Figure 7, over half (52%) of the projects implemented social risk mitigation measures that represented good, superior or excellent value for money. That is, they did not experience delays of more than a month, and their expenditure did not exceed 20% of the financial losses that would have been incurred in the event of a delay. The remainder of the projects implemented risk mitigation measures that were either very expensive compared with the financial risks that could have been incurred, or they experienced delays of over a month.

Figure 7 Project locations by value for money



Second, we can disaggregate the data by location and thus by the risks associated with each location (Figure 8). This shows that the majority of investments (71%, or 97 projects) were in challenging locations (their risk score was above 60). It is notable that despite the significant social risks, the vast majority of projects in those locations (59% of the 97 projects) implemented social risk mitigation efforts that were deemed good to excellent. They did not experience significant delays, and their costs did not exceed 20% of the overall financial risks in those locations. This suggests that DFIs have developed effective ways of dealing with challenging social risks, and that by implementing moderate investment in the right mitigation measures significant financial damage can be managed or avoided.

Of the 66 projects for which social risk mitigation efforts were considered poor or fair value for money, 25 experienced long delays despite their expenditure on managing social risks. These projects represent many of the outliers mentioned above, including projects that were located in small states or which involved significant costs for compensation.

Social dialogue is the most effective form of risk mitigation

With a few exceptions, the breakdown of expenditure on social risk mitigation by DFIs is not sufficient to allow analysis of the types of strategies or actions adopted. However, the business perceptions survey of 85 investments in sub-Saharan Africa shows that establishing social dialogue with local people is by far the most effective way of mitigating social risks (see Appendix 1 for descriptive statistics). Social dialogue activities include participatory monitoring processes, continuous assessments and meetings to help investors understand how communities feel about their operations and what those communities are expecting to achieve (see Box 3). In total, **90% of businesses** that had social risk

Figure 8 Value for money of risk mitigation efforts by risk of location

mitigation procedures in place said that such mechanisms were either 'very effective' or 'somewhat effective' in terms of ensuring trust and building relationships with local people and communities (Figure 9), and 74% said that these processes represented a 'good investment' or 'excellent value for money' (Figure 10). Stakeholder mapping exercises and operational training and monitoring were also considered effective risk mitigation strategies by over 80% of the businesses surveyed.

It is noteworthy that 44% of the businesses interviewed had experienced disputes with local communities, and were therefore able to speak from experience on the effectiveness of risk mitigation measures (Figure 11). Of these investors, 92% agreed that community meetings were an effective risk mitigation activity.

The importance of social dialogue was also a common theme in the 35 interviews with businesses. For example, many investors said that they found community meetings to be a useful way of understanding the needs of local communities and establishing mutual trust.

Box 3 What is social dialogue?

'[A]ll types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy. It can exist as a tripartite process, with the government as an official party to the dialogue or it may consist of bipartite relations only between labour and management (or trade unions and employers' organizations), with or without indirect government involvement. Social dialogue processes can be informal or institutionalised, and often it is a combination of the two. It can take place at the national, regional or at enterprise level. It can be inter-professional, sectoral or a combination of these.'

Source: ILO (n.d.).

Figure 9 Effectiveness of social risk mitigation procedures

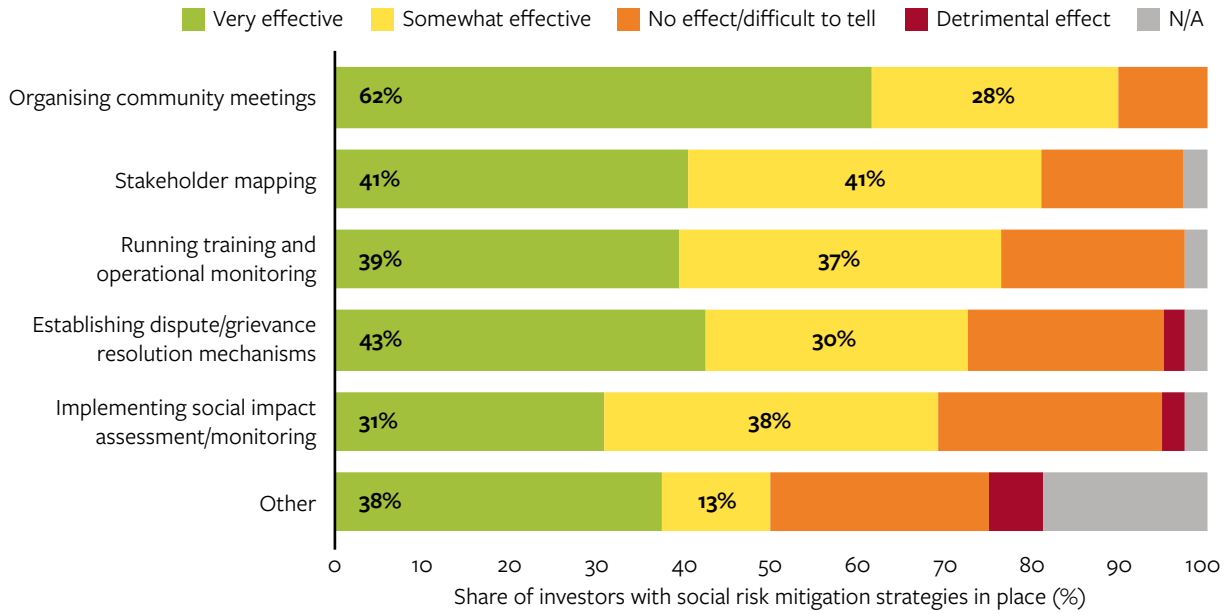


Figure 10 Cost-effectiveness of social risk mitigation procedures

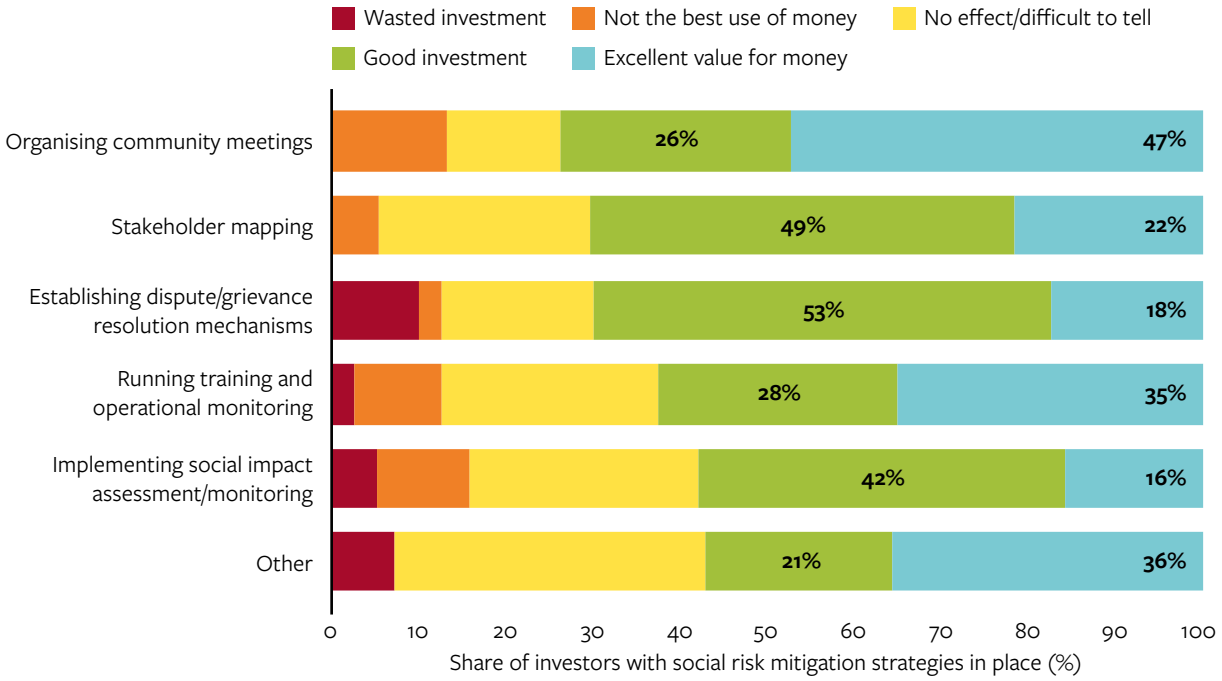
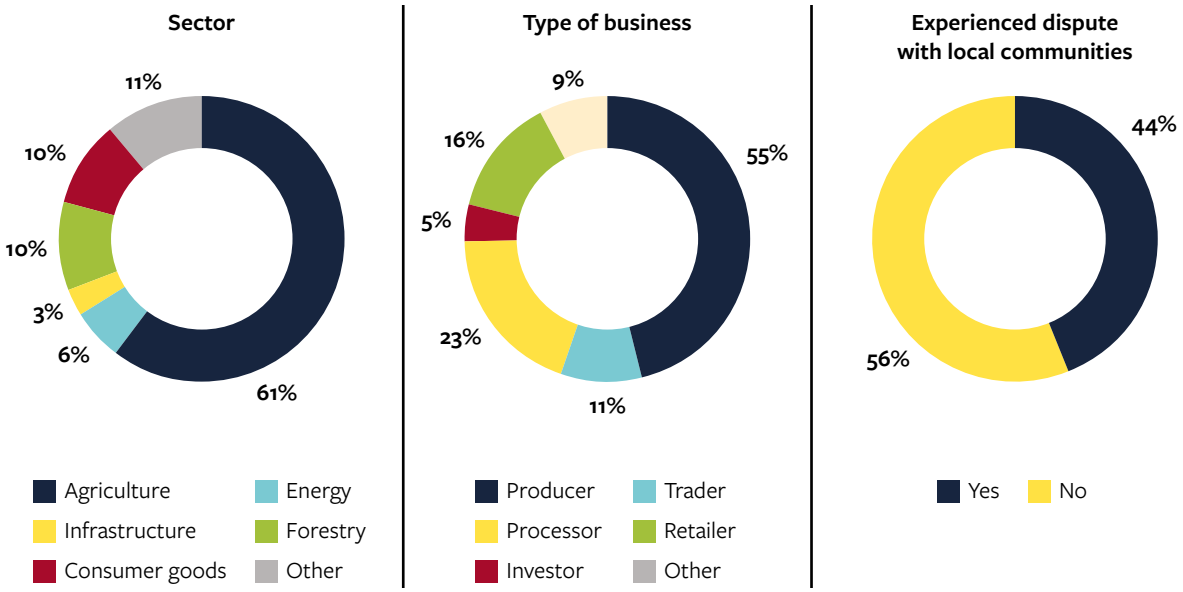


Figure 11 Profile of investors answering the survey



> ... the correct investment in local communities goes a very long way and is highly appreciated. (Fruit producer in Mozambique)

> All that is important is to have a listening ear. To create, build and nurture good relationships with your host community, to hold regular meetings on important and relevant matters, and to show concern over issues that affect the host community. (Horticultural producer in Northern Nigeria)

Identifying these needs through social dialogue mechanisms enabled investors to adjust their behaviour and target investments at the areas of greatest importance to communities (needs-based community investments). This maximises the value of their social risk mitigation efforts and helps generate trust and confidence. Some of the common needs mentioned in interviews included the creation of opportunities for landless youth, the provision of healthcare services (in the context of Covid-19) and the building of 'business acumen' through training, skills development and opportunities for commercialisation (e.g. marketing).

> We supported local communities by allocating parcels of land to genuine unemployed landless youth [...] and sharing company healthcare and education facilities. (Ethiopian fruit processing facility)

> Providing amenities and supporting communities with Covid-19 preventative items was very much appreciated and really helped strengthen the company's social license to operate. (Ghanaian palm oil producer and processor)

> Empowering the communities to develop business acumen and become suppliers for various goods and services to the company enhances good will from the community, and develops them as reliable and trusted partners along the supply chain. (Malawian sugar producer and processor)

Of the social mitigation activities, the survey shows that social impact assessments and monitoring efforts were considered least effective: 15% of respondents even considered such efforts a 'wasted investment' or 'not the best use of money'. Many interviewers considered some of the rigid procedures they were required to implement as part of global or national guidelines an unnecessary 'box-ticking exercise' and a waste of resources which did not adequately capture the needs of communities in a particular location.

Several interviewees also considered formal grievance resolution mechanisms, or geospatial participatory mapping schemes designed according to international best practice guidelines, as being too inaccessible and technical for some local communities affected. In some cases, investors felt compelled to employ international consultants to meet international standards, when using local channels for resolving disputes and settling boundary disputes would have been more effective.

> We were asked to set up a grievance mechanism by our investors, but it was too elaborate and was never really used as a result. We hired a local individual to manage community engagement, and they went ahead and established a WhatsApp group that is used regularly, works well and costs nothing to maintain. A substantial proportion of our spending on ESG matters relates to standards compliance more than

> risk mitigation. For us, the key is establishing relationships of trust rather than implementing formal procedures. (Commodity producer and processor in West Africa)

Social dialogue processes, even if they involved setting up WhatsApp groups between project managers and community representatives, could offer a more tailored approach for identifying and targeting the needs most important to local communities, and thereby reducing social risks. However, guidelines and protocols for establishing social dialogue in certain contexts will need to be developed so that they can be integrated into formalised due diligence processes.

> The management of expectations is huge. Many perceive the company as having an endless amount of money and this goes from senior government down to the local people. (Palm oil producer and processor in Sierra Leone)

Many interview participants also revealed serious issues in managing social risks. Most of these were centred around Covid-19, and particularly the economic challenges surrounding the pandemic, such as the 'parlous state' of local economies, 'reduced access to external markets' and depressed prices. Some of the investors also had to suspend community meetings as a preventative measure, which they feared could reignite grievances.

> *Avec l'impact du Covid-19, la licence sociale fait partie de l'une des choses la plus difficile à gérer.*
>
> The impact of Covid-19 has made social license one of the most difficult things to achieve. (Horticultural producer in Senegal)

Other barriers included the availability of finance and of independent brokers. Where community needs are identified, it is not always possible to unlock investment as it is at odds with the immediate goals of the financial backer. Independent brokers are required where previous grievances exist (e.g. mistrust of investors) and to prioritise and bring together divergent needs from across local communities.

4 Conclusions

The findings suggest there is a strong business case for investment in social and environmental risk management processes.

Investment in social risk mitigation and avoidance actions is prudent expenditure. The financial data shows that if investors spend just 2% of their total investment on effective risk mitigation strategies, they can avoid significant financial risks associated with project delay or abandonment, even in high-risk locations. Across the 137 DFI investments analysed, the average financial risk was in the range $25–40 million, but the average amount spent on social risk mitigation and avoidance activities was $10 million. Of the 137 investments, a majority (52%) implemented social risk mitigation strategies that represented good to excellent value for money.[11]

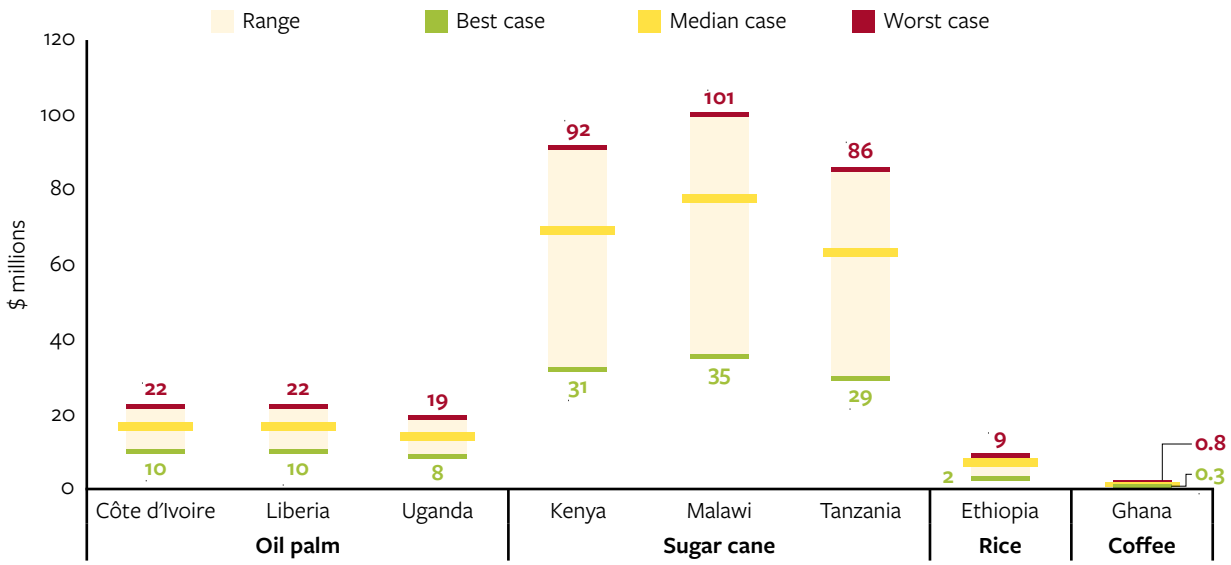
These are conservative estimates, and there are three reasons why the actual business case is likely to be even stronger:

- First, DFI spend more on social risk mitigation and avoidance activities than do most private investors. This is because DFIs seek to promote particularly high corporate ESG standards and are bound to international best practice standards. In some cases, we heard that DFIs were required to develop and implement procedures they felt were not cost-effective in a given context. Examples included formalised grievance resolution mechanisms or complex participatory mapping exercises requiring international consultants.
- Second, DFI investments typically have a more moderate financial return profile than do purely private investments. They are designed to achieve social and environmental impact as well as risk-adjusted return. This positive impact, which often entails indirect financial returns (e.g. increased operational efficiency), is not accounted for in our consideration of risk mitigation and avoidance.
- Third, the majority (52%) of the DFI investments did not experience significant delays (>1 month), suggesting that their expenditure helped them to avoid social risks. Among these investments, social and environmental risk mitigation expenditure was even less than 2% of the total project cost.

Furthermore, the figures above represent averages and have been calculated using basic, untailored assumptions. The financial costs associated with social risks can range from $65,000 for a water supply project in Gaza to $1.15 billion for a power plant project in South Africa. Previous research used the same methodology to calculate the financial costs of social risks across a range of agricultural investments in sub-Saharan Africa and showed similarly high variation, depending on location and commodity (Figure 12).

11 A further 23% (31 projects) implemented social risk mitigation strategies that were ‘fair’ value for money, whereas just 25.5% had expenditure that would be considered ‘poor’ value for money.

Figure 12 Range of losses by commodity and location according to Tenure Risk Tool



Source: Locke et al. (2019), based on TRT results.

The findings from the business perceptions survey and the interviews suggest that social dialogue may be the most effective mechanism for offsetting social risks. Of the businesses surveyed, 90% agreed that such efforts were effective in achieving social license, which was higher than for any other group of social risk mitigation activities. Ensuring that social dialogue activities are implemented early in the investment cycle helps investors build local relationships and identify and target interventions towards the most pressing community needs, thereby reducing the risk of disputes occurring. This is at odds with social risk mitigation processes that are often required as part of national investment approval procedures or international guidelines, such as social impact assessments or grievance resolution mechanisms, which 12–15% of businesses surveyed considered a 'wasted investment' or 'not the best use of money'.

Instead, national and international guidelines, standards and investment approval procedures could be structured in a way that places greater emphasis on building relationships with local communities early in the investment cycle. At present, these guidelines and procedures prioritise mechanistic environmental and social impact/risk assessments above stakeholder analysis and engagement – see for example requirements 25 to 28 of IFC Performance Standard 1 (IFC, 2012). It is important to make these more dynamic and to establish systematic opportunities for local land rights holders and other affected people to feed into due diligence processes (Cotula et al., 2019) as early as possible.

To reduce social risks, investment approval procedures and other international standards should emphasise topic-specific disclosures, such as those identified under GRI Sustainability Reporting Standard 413-1 (GRI, 2020). Among other reporting

requirements, this emphasises that investors should report information on stakeholder engagement plans, broad-based local community consultation committees and local needs-based community development programmes. Although widely used, the GRI ESG framework remains voluntary. However, GRI and other similar frameworks (e.g. the Sustainability Accounting Standards Board's Standards) could be used to guide governments seeking to tighten disclosure requirements to mitigate social risks to both domestic and international financial investments.

A specific way of monitoring financial investments would be to require the disclosure of spending on social dialogue activities, including stakeholder mapping, broad-based community consultation and needs-based community development programmes. Our findings suggest that overall spending should be at least 2%. A similar measure adopted by South Africa's Risk Mitigation Independent Power Producer Procurement Programme committed power producers to contribute a 1% share of the revenue to community needs. In fact, the average commitment level by producers was 2.2%, over double the level of the compliance threshold (IPPO, 2020).

Regardless of voluntary and involuntary standards and guidelines, the findings of this report should add momentum to the business case for mitigating social risks. An increasing number of private investors are understanding that the financial benefits of mitigating social and environmental risks far outweigh the costs. However, many of these returns are not tangible and may only be realised in the medium to long term. These include effects on reputational or litigation risks not covered by this report. To realise these benefits, financial lenders need to structure their capital in a way that gives investors the time required to secure local buy-in and reduces long-term risks, and which looks beyond short-term financial profit-maximising strategies.

This approach also needs to be extended to identifying and targeting climate-related risks. Involving local communities through social dialogue processes is an important part of determining how natural resources are used and protected (for example, see Ludi et al., 2015, on risk-screening for water supplies). Such approaches would help investors understand how their operations might affect the natural resources that local people care most about. It will therefore be vital to consider both social and environmental risks and impacts to ensure that future private investment, particularly in renewable energy and infrastructure projects, is designed in a just and equitable way.

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Appendix 1 Descriptive statistics

Table A1 Financial data by region

	West Africa	Central Africa	Eastern and Southern Africa	Middle East and North Africa	Asia	Global
Risk location						
Favourable	5	1	4	4	–	14
Standard	13	–	5	5	3	26
Challenging	22	13	27	1	4	67
Quite challenging	2	4	14	2	8	30
Location risk score (mean)	62	73	72	50	79	68
Value for money rating						
Superior	8	3	3	1	1	16
Excellent	5	6	9	2	8	30
Good	7	3	11	3	1	25
Fair	13	4	13	–	1	31
Poor	9	2	14	6	4	35
Value for money rating						
No delay	30	16	30	7	12	95
Short delay (<year)	8	1	7	–	1	17
Long delay (>year) or abandonment	4	1	13	5	2	25
Environmental and social (E&S) costs						
Total E&S as % of total project expenditure (mean)	2.9%	2.4%	1.2%	0.7%	2.1%	2.0%
Total E&S as % of financial costs of risk (mean)	141%	17%	14%	13%	14%	30%
Total E&S costs (US$ '000, mean)	18,956	6,533	6,194	3,633	6,382	9,947
Total project costs (US$ '000, mean)	652,139	276,158	508,259	489,169	298,410	497,225
Costs of social risks						
Baseline (US$ '000, mean)	38,247	93,818	160,332	164,925	93,622	107,264
Brownfield (US$ '000, mean)	21,579	46,000	107,420	133,904	34,619	67,383
Greenfield (US$ '000, mean)	28,110	65,856	124,879	140,001	61,717	81,867
Average social risk (US$ '000, mean)	13,402	37,890	44,182	27,972	45,454	32,639

Table A2 Financial data by risk location

	Favourable	Standard	Challenging	Quite challenging	Total
Region					
West Africa	5	13	22	2	42
Central Africa	1	–	13	4	18
Eastern and Southern Africa	4	5	27	14	50
Middle East and North Africa	4	5	1	2	12
Asia	–	3	4	8	15
Location risk score	25	57	73	85	68
Value for money rating					
Superior	1	3	7	5	16
Excellent	–	5	18	7	30
Good	2	3	16	4	25
Fair	3	7	12	9	31
Poor	8	8	14	5	35
Value for money rating					
No delay	5	13	56	21	95
Short delay (<year)	3	6	5	3	17
Long delay (>year) or abandonment	6	7	6	6	25
E&S costs					
Total E&S as % of total project expenditure (mean)	1.3	0.2	7.1	2.8	2.0
Total E&S as % of financial costs of risk (mean)	40	5	53	17	30
Total E&S costs ($ '000, mean)	4,537	2,944	16,139	4,713	9,947
Total project costs ($ '000, mean)	349,621	1,653,646	226,402	168,714	497,225
Costs of social risks					
Baseline ($ '000, mean)	110,212	254,891	73,643	53,029	107,264
Brownfield ($ '000, mean)	99,239	191,889	35,225	16,433	67,383
Greenfield ($ '000, mean)	98,752	207,032	51,361	33,638	81,867
Average social risk ($ '000, mean)	11,217	55,431	30,350	27,993	32,639

Table A3 Basic characteristics of survey respondents

Type of company*	No.	Sector	No.
Producer	47	Agriculture	45
Processor	19	Forestry	7
Financial investor	13	Consumer goods	7
Trader	9	Energy	4
Retailer	4	Infrastructure	2
Other	7	Other	20
Processes implemented*		**Experienced dispute**	
Community meetings	34	Yes	21
Training and operationl monitoring	31	No	25
Social impact assessment/monitoring	29	Don't know/skip question	39
Dispute/grievance resolution mechanisms established	27		
Stakeholder mapping	28		
Other	14		

*Multiple responses allowed

Table A4 Effectiveness and cost effectiveness of risk mitigation measures

Effectiveness of procedures	Very effective	Somewhat effective	No effect/ difficult to tell	Detrimental effect	N/A
Community meetings	5	13	22	2	42
Training and operationl monitoring	1	–	13	4	18
Social impact assessment/monitoring	4	5	27	14	50
Dispute/grievance resolution mechanisms established	4	5	1	2	12
Stakeholder mapping	–	3	4	8	15
Other	25	57	73	85	68
Cost effectiveness of procedures	**Wasted investment**	**Not the best use of money**	**No effect difficult to tell**	**Good investment**	**Excellent value for money**
Community meetings	1	3	7	5	16
Training and operationl monitoring	–	5	18	7	30
Social impact assessment/monitoring	2	3	16	4	25
Dispute/grievance resolution mechanisms established	3	7	12	9	31
Stakeholder mapping	8	8	14	5	35
Other					

Appendix 2 Business perceptions survey

The costs and benefits of social license

Background

Local support for a project or investment can be vital. Just as businesses need to get and maintain legal license to operate, so they also need to earn and maintain "social license to operate" or local approval. This can be challenging in emerging markets where it is hard to identify and communicate with legitimate stakeholders and where property rights are unclear.

In the shadow of the COVID-19 pandemic, for example, businesses may find that their social license is put to the test as they struggle to provide the support that local people need or expect. Loss of social license – meaning local opposition to a project – can lead to significant disruptions and large financial losses. Our previous research has demonstrated this and quantified its impact to help businesses make better decisions. Anecdotal evidence suggests that there is a strong business case for investments in services and procedures that earn social license. Examples include establishing dispute resolution mechanisms, implementing participatory monitoring processes and facilitating regular meetings with the community. What we want to know, and where we need your help, is how much these services and procedures cost and how effective they are.

It should take you no more than 5 minutes to complete this survey. Most of the questions are optional and any data you provide will be held in the strictest confidence. With companies' consent, we will publicise positive case studies of local engagement processes/procedures, underlining the way in which they have contributed to responsible investment practice and the delivery of public goods. Thank you in advance for your help, we really do appreciate it. If you have any questions or concerns, please don't hesitate to contact us.

Best wishes,

Joseph Feyertag (j.feyertag@odi.org.uk) & Ben Bowie (ben.bowie@tmpsystems.net)

Section A: Project information

Some background information on your activities and their location(s) that will help us ensure that we can distinguish between different geographies or sectors.

1. What is the name of your company/organization?

OPTIONAL - If you prefer not to provide this information, please skip this question.

2. Which sector best describes your company/organization's activities?

You can select more than one choice. *

- Producer
- Trader
- Processor
- Retailer
- Investor
- Other - Write In

3. Which area(s) does your company/organization operate in?

You can select more than one choice.

- Agriculture
- Mining
- Energy
- Infrastructure
- Forestry
- Consumer goods
- Real estate
- Other - Write In

Section B: Experience of dispute or local social unrest

This section is optional and covers any previous experience of tension or disputes with local people within or around project locations.

Any information provided will be held in the strictest confidence.

4. Have you experienced a dispute with local people in connection to your investment(s)? (optional)

- Yes
- No
- Skip

5. Did this dispute affect the financial performance of the investment(s)?

- Yes
- No
- Hard to say

Section C: Procedures for building local relationships

These questions capture the processes and procedures that you have in place to communitcate with and engage local people, as well as your reasons for using them. In general, we want to identify the most efficient interventions to improve and protect local relationships.

6. Have you implemented any of the following procedures to support social license?

- **Stakeholder mapping**
  Research to understand who has a legitimate interest in the land and/or resources that your operation is accessing or having an impact on.
- **Community meetings**
  Establishing a dialogue with local people and other stakeholders, often via meetings, to understand how they feel about your operations and what they expect from it. These community engagements will also allow key information to be collected through a participatory monitoring process that can help determine baselines and continuous assessment.
- **Social impact assessment/monitoring**
  A process, often required by national investment approval procedures, to understand what positive and negative effects your operations might have on social wellbeing and social conditions e.g. impact on traditional livelihoods, impact on local wages or impact on access to food, water and energy. It will often come with a monitoring and management plan.

- **Training and operational monitoring**
  Improving the ability of your staff to develop a good relationship with local people via processes like workshops and meetings. This could include agronomic training provided for smallholder suppliers or participatory monitoring that assists your organization to collect information (e.g. on health and safety or on water quality) with the help of local people.
- **Establishing dispute/grievance resolution mechanisms**
  Establishing a clear, consistent and transparent process, generally involving a third party, that exists to identify possible dispute and find mutually satisfactory solutions to them. Naturally this includes negotiating with the various stakeholders to agree on expectations and outcomes.
- **Other**

7. Would you be interested in publicity in relation to these procedures (anonymised if preferred)?

- Yes
- No
- Skip

8. In your view, please rate which processes you think are successful in terms of ensuring trust and building relationships with local people and communities.

	Very effective	**Somewhat effective**	**No effect/ difficult to tell**	**Detrimental effect**	**N/A**
Stakeholder mapping					
Organising community meetings					
Implementing social impact assessment/ monitoring					
Running training and operational monitoring					
Establishing dispute/ grievance resolution mechanisms					
Other					

9. In your view, please rate which processes you thought were a good investment/provided good value for money.

	Wasted investment	Not the best use of money	No effect/ difficult to tell	Good investment	Excellent value for money
Stakeholder mapping					
Organising community meetings					
Implementing social impact assessment/ monitoring					
Running training and operational monitoring					
Establishing dispute/ grievance resolution mechanisms					
Other					

10. Do you still have information on how much these processes cost to implement?

- Yes
- No

11. Would you be happy for us to contact you for more information on these costs?

- Yes
- No

12. Is there anything else that you would like to add or emphasize that you can believe is important about social license and/or impact of COVID-19 on it?

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13. Can we contact you for any follow-up questions that may arise?

- Yes
- No

14. What is the best way to follow up with you?

- Email
- Phone/skype
- Another survey

15. Please enter your email address below

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16. Please enter your contact details below

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17. We are organising a series of closed discussion groups, webinars and workshops in the coming weeks and months. Would you be interested in any of the following?

- Country or region-specific private sector discussion groups;
- Sector-specific private sector discussion groups. E.g. involving financial investors;
- Multi-stakeholder discussion groups;
- Webinars;
- Other – Write In
- None of the above

Appendix 3 Interview template

QTR Phase III

Semi-structured interview template

Investor	xxx
Attendees	xxx
Date	xxx

Topic	Questions/points to cover
1. Context & introduction	a. Context & introduction
	b. QTR project • Funded by DfID (now FCDO) since 2018 and now entering third phase • First phase collected publicly-available information of land-related disputes involving agricultural investors in sub-Saharan Africa • Second phase involved speaking directly with companies to quantify the costs of such disputes to their investment, mostly in the form of operational losses (e.g. foregone production). In more extreme cases, projects have to be abandoned and we estimated that this could cost investors up to $101 million. We published reports and publicly-available due diligence tool that investors can use to quantify these risks and justify mitigation measures. • However, although there is a lot of guidance out there, in practice we find that companies struggle to access services, resources and advice that would help them. We have therefore embarked on a third phase to fill that gap, in which we are aiming to find out which measures companies consider effective and how much they cost. We hope to enhance the model with this information to show investors how such efforts represent only a fraction of the potential risk, roughly 2% of the overall investment according to preliminary estimates. • The aim is to bridge the gap between risk identification and risk management, and thereby unlock much-needed private investment in sub-Saharan African agriculture. • So far we have completed additional research of publicly-available data and sent the survey out to nearly 700 companies. We are aiming for 75 responses and 30 informal interviews. All the information from direct engagement is strictly confidential and we will not name participating companies in our outputs. However, we are hoping to include some positive case examples, provided we receive explicit permission to do so by the participating companies themselves.
	c. Please provide an overview of your project: • Enter notes here

Topic	Questions/points to cover
2. Tenure disputes	a. Has your investment been affected by any tenure-related disputes? • Enter notes here
	b. Has your investment been affected by any other factors, including social, environmental or governance issues? • Enter notes here
	c. How has COVID-19 affected your investment? • Enter notes here
	d. Are you aware of any positive or negative case-examples of investment affected by tenure disputes in your country/region? • Enter notes here
3. Costs of tenure/other disputes	a. If your investment has been affected by tenure disputes, or any other social and environmental issues, did it affect the financial performance of the investment? • Enter notes here
	b. If yes, do you know how much it affected the financial performance of your investment by? • Enter notes here
	c. Are you aware of how any other investor's financial performance was affected by such disputes? • Enter notes here
4. Procedures for mitigating tenure-related risks	a. Have you implemented any of the following procedures to support social license? • Stakeholder mapping: yes/no • Community meetings: yes/no • Social impact assessments/monitoring: yes/no • Training and operational monitoring: yes/no • Establishing dispute/grievance resolution mechanisms: yes/no • Other: yes/no
	b. Of the above, which did you think was particularly effective and why? • Enter notes here
	c. Of the above, which procedure did you think was ineffective? • Enter notes here
	d. Do you have a financial breakdown of costs of any of the above procedures? • Enter notes here
	e. Are there any other procedures that you have not implemented that you believe should be adopted by companies seeking to gain social license? • Enter notes here
	f. Do you face any problems in implementing such procedures? E.g. lack of service providers. • Enter notes here

Topic	Questions/points to cover
5. A.O.B.	a. What do you think is the best way of disseminating the results of this research to other companies? • Enter notes here
	b. Would your company like to be featured in the research? • Enter notes here
	c. Are you interested in participating in forthcoming discussion groups, webinars or events? • Enter notes here
	d. Is there anything else that you would like to cover on this topic? • Enter notes here
	e. Thank you and agree follow-up actions: • Enter notes here