

THE PRINCIPLES FOR RESPONSIBLE INVESTMENT PODCAST TRANSCRIPT

PUTTING PEOPLE FIRST IN INFRASTRUCTURE INVESTING

WITH SIMON WHISTLER, HEAD OF REAL ASSETS, GWEN COLIN, ESG
DIRECTOR, VAUBAN INFRASTRUCTURE, ANTOINE TREBOZ, CEO, ALIS

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Simon Whistler

Welcome to the PRI podcast. My name is Simon Whistler and I'm head of Real Assets here at the PRI. Today, we're discussing local community and stakeholder acceptance of projects or company operations, better known as the social license for investors. Working with investee on social license can be an essential part of aligning their investments and performance with UN guiding principles on business and human rights, and deliver better outcomes for people. Prior to working at the PRI I was a consultant on large projects in Latin America, and I've seen the full range of approaches to stakeholder engagement and the social license, the good, the bad, and the sometimes very ugly. Today we'll aim to focus on the good practices that can deliver real value for investors I investees and their stakeholders. And to that end, I'm delighted to be joined by Gwen Colin, director of ESG at Vauban Infrastructure and Antoine Tréboz, CEO, ALiS a French highway operator. Gwen Antoine, welcome to the PRI podcast.

Gwen Colin

Thank you, Simon.

Antoine Tréboz

Thank you, Simon

Simon Whistler

Gwen, I'll, I'll start with you if I may. You at Vauban, you place a lot of attention on the topic of the social license and stakeholder engagement. You produce a large study on the topic last year. Why is this so important for you? Why, as an infrastructure investor do place so much weight on it?

Gwen Colin

Yes. it's extremely important as long-term investors in infrastructure, which are vital for the society. We are touching the day-to-day of the citizens. So, by investing in transportation, digitalization, social buildings, energy transition, waste management, we must have the social license to operate. So, meaning we may have to make sure that we're ensuring the public acceptance.

Simon Whistler

And we're obviously going to go into detail today, but can you give some, a couple of examples maybe to, to kick off about at a high level of some of your work in this area, what it helps you achieve in terms of managing risks being more competitive and so on?

Gwen Colin

Yes. I mean, it's for us, it was something that we're doing quite naturally in the past due to the, our ecosystem and due to the fact that we are really long-term investors. So, we have a strategy which is really in line with industrials. It's 20 to 25 years investments. So, it was something that we're looking at quite naturally in the past. But like you said since last year that we had that research on social license to operate that we did with academician expert industrial best players and with our asset operators like Antoine here and like yourself also. The idea was really to look at what was the best practice and how we could implement it in our day-to-day asset management, but also in all, strategy. So, each phase of our investment strategy.

Simon Whistler

And this can absolutely make or break a project, right? I mean, going back to my Latin American roots, remember one study by the Inter-American Development Bank, it looked at 200 infrastructure projects in Latin America. And I know Latin America's a long way from France where you are mostly invested. But looking at those 200 infrastructure projects over the past three decades, it found that

36 were cancelled outright. 162 projects faced significant delays and 119 cost overruns because of conflict with local communities and other stakeholders. So, this is fundamental to the wellbeing, to the, to the success of the investment in the project.

Gwen Colin

Yeah, it's I mean, for us it's, like I said, it's at the due diligence level. We really have that in mind. It was already the case in the past. I'm not saying that we revolutionize our strategy by doing this with research, but it's, it's not in a systematic way, just making sure that all those stakeholders are well mapped and all those expectations are, were taken in consideration. It's also way of looking at ensuring the public acceptance. And at the end of the day, it's a saving cost and time for all.

Simon Whistler

So, Antoine, I think this is a good time to, to bring you in when Gwen and her team at Vaubun come to you and they want to see kind of what you've been doing around social license stakeholder engagement, what, what can you tell them? What do you, what do you show them?

Antoine Tréboz

Well, in fact, we, have began our commitment in a social license to operate thanks to I would call it territorial anchoring strategy. And that means building partnerships with values, local structures such as associative private, so administrative structures and covering out projects with them project of course in line with our values. I mean sustainable development, sustainable mobility integration and so on. And then it has recently able to a strong and ambitious CSR policy, corporate social responsibility policy which in fact perfectly amber, our, our slow. Maybe an example of that is what we did in in Gases. Gas is a small town in in the, or in the western part of France. An original approach we had is one, we have supported the local authorities in the action to burn every good vehicles transit through the, the municipalities, in fact, to help this burn and to encourage customers to use the highway. In fact, we have implemented a tole discount. So doing that, even if finally, it was probably not a good business deal, but doing that, we clearly appear as a, as a key local player. So very important for us.

Simon Whistler

Yeah, absolutely. Gwen, as the investor in, in something like this Antoine just said, may not have been the best business deal. How, how, how do you see that kind of, how do you, I guess, align what you want to achieve financially with that type of arrangement, which is obviously good for the communities?

Gwen Colin

No, it's so it's extremely important. It's a, it's a notion of shared value promotion. Making sure that we are still sustainable on the long run is really being part of this definition, making sure that we are well implemented in the territories and that all of stakeholders are happy to, to build up on our asset in terms of shared value. Sometimes it's not a, a direct benefit in terms of money, but it, it could be a benefit in terms of image, in terms of credibility. And for us as an investor, it's a good way also to show when we are looking at project and same industry, how we are progressing and how we are recognized in those type of field. So, it's a, it's a win-win situation, I will say, for, for everyone.

Simon Whistler

And the other part of this is obviously making sure that you are doing it right on an ongoing basis as well. I think there's a tendency that I've seen in, in the industry or with, with some of these big, big projects to do lots of stakeholder engagement upfront, maybe at the start of the project or in construction. And then once everything's operating, you kind of forget about it and, and leave it to one side. So, Antoine, maybe to you first, how do you make sure that you are staying on top of the issues on an ongoing basis that you are doing things right and addressing sort of local concerns on yeah on that on-going basis.

Antoine Tréboz

Yes, very interesting questions. Basically, we have allocated resources dedicated resources in our, in our organization to meet this challenge. And so now what we do is that we meet our stakeholders on a regularly basis. And for instance, we organize meetings I should say kind of workshops on all our environmental or social issues and what the idea is to be to, to stick to their needs, to be, to manage attention to their needs, and also important to be accountable for our actions.

Simon Whistler

Yeah, absolutely. That accountability and, and transparency is key, are just coming back to you on, are there any particular issues that you could highlight that, that have come up during these meetings that you've kind of had to change your approach perhaps to, as, as a result of, of, of some of the conversations you've had?

Antoine Tréboz

No. It's more like discussion and the increasing awareness for both parties of each other stakes and well, that's interesting meetings because we can share what we are doing for sure. And we can also share what we, what, where we want to go and what we think is good for should not say for the planet, but what is good for the local communities and what we, good for us, what we what complies on our eyes to social expectations. And we have the, the view as well on this subject. And

it's more like a sharing meetings. That's why I, I would I was speaking about workshops because we are building together the kind of future of the, the local territories.

Gwen Colin

Yeah, if I can jump on it, it's true that, I mean, on our day-today in the asset management we are asking a lot from our assets to be part of the transition toward low carbon economy. So it's a lot of transition to be taken on and we need to make sure that it's not only your asset taking the effort, but making sure that it's well accepted in their, in their ecosystem. So there is a lot of discussion, a lot of engagement to be done with all the parties. That's why also we organize discussion around workshop with experts peer-to-peer learning experience because it's, I would say, quite easy coming from the investor to come and say, look, there is some good things to be done, but it's always really interesting to listen to other industrials, other practitioners on the ground who have tested those ideas and could exchange on what is working, what is less working. So, it's I believe it's something that we can facilitate and that's part of our role to bring value to our asset, is to open those kinds of discussions and, and possibility to learn from each other's.

Simon Whistler

Yeah, I was, I was going to ask that actually in terms of, obviously you are not just invested in, in roads, you invest in various different types of infrastructure assets. So how much is there applicable from what say some of your wind farm or tramway type assets do that can be applied to at least and their operations?

Gwen Colin

It's quite common. In fact, it's really cross sector. As long as you are touching the day-to-day of, of the citizens, you are facing possibility to backlash. I mean, it's we, we keep saying social license to operate, it's hard to get, but it's easy to lose <laugh>. So as long as we are deploying capital and we are making changes in, in those infrastructure, we are facing potential backlash. So you have to stay transparent you have to be clear on the timeline and the benefits at the end benefits, and that's something which is really common through all assets. For report last year, one of the part of the research was a questionnaire that we had through five different countries with around 10,000 people answering the questionnaire on two different type of assets. One was a IT network and one was a tram way in the middle of city.

Gwen Colin

So, you can see that's really different type of impact, but at the end of the day, the result were quite common. The city didn't want to be part of the discussion. They want to know what's happening because at the end of the day, it's touching their own capacity to, I mean, provide heat in their

house or being able to go to work. So, they're feeling very touched, and they really want to be part of those discussion. So it was, it was interesting. The result was between 80 to 90% of the respondent were wanted to be part of those discussion. And, and the, the panel was from north, south Europe, south of Europe to America. So quite a common language on those ones.

Simon Whistler

So, on the back of that, what's next for you in terms of developing your approach to social license even further?

Gwen Colin

As, as an investor is its continuous discussion. I mean it's just making sure that we are supporting our asset, that we're creating value. And it's by having day-to-day conversation through our board meetings through our continuous initiatives with them have another example. We have optic fibre has set in north of France and rural area that just finished to be deployed in 2021. So, it was before last year research. And what we did was, to celebrate the end of this deployment, we, we did an event, and we invited the different stakeholders, so different parties with the public authority with the different industrial, different partners. And we did some research on the impact on the ground. We're looking at rental impact and social impact. And it was one of the really interesting things that we discovered ourself, how touch where the cities.

Gwen Colin

And when we did those, we did some micro interviews in the street and, and they were extremely happy to, to share their views, to share how digitalization optic fiber had brought some comfort in the, in their work, in the personal life and the capacity. And it was after in the middle of the covid, so it was even more important. And just by sharing those videos with a different counterpart, we saw the impact of knowing what's happening between each other, knowing that we are bringing value to each other. The interesting thing that by working hand in hands with the local authority, with the territories, we hand up by signing additional contract on, on this asset. So the benefits was not only sharing value and I'll say good feeling, but really a concrete contract that end up being signed after this initiative. So it's once again to prove that it's not only managing a risk is not only managing the cost and time that you could lose, but it's also bringing additional benefits and bringing additional value to your asset.

Simon Whistler

And you've taken my, my question out of my mouth, I think on that one in terms of kind of what's the value of get, of getting this, this right, and Antoine do you have anything to add there in from, from that point of view?

Antoine Tréboz

Yes. Yes. In terms of value, I fully agree with Grant, but it's clearly about image, reputation social acceptance. But more important, if I, if I may, what I strongly believe is it's our duty as a company to set an example and to align ourselves with the global social expectations. That's very, very important. And the other thing that brings to us is in terms of employer brand that's very helpful to our people and to make them stay in your company. That's very helpful. It gives sense to, to the global action of the company. It's very nice to, to help people around, to help the communities just not too good to work for having some money, but to think that it could help the people around and to help the communities, that's important.

Simon Whistler

Yeah, absolutely. I mean, I think that point of it being your duty as a, a corporate citizen, I think is, is so important. And you can't and mustn't lose sight of that. We've thought today about the social license in the context of infrastructure investing, but these, as we, I think we can agree, are processes and concepts that apply to almost all companies in, in some form. We know that people want to be increasingly involved in decisions around projects or activities that affect them. And there are more and more examples of the risk that companies and investors face when they were ignored. But on the flip side, we've also discussed practices that help get the social license right, right onto one. Antoine and Gwen have given great examples of how they help them manage risks, create enterprise value and support better outcomes for people. And so there are real benefits for investors and investors to getting it right and for the people who services they depend on. And that also lies at the heart of the PRI's position on human rights, that doing right by people shouldn't be left aside in order to drive stronger investment returns. And in so many cases, the two really do go hand in hand. So, thanks very much for your time today, Gwen and Antoine.

Gwen Colin

Thank you very much for having us

Antoine Tréboz

Thank you Simon.

Simon Whistler

And thank you very much for listening. We'll see you next time.

AD

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