

Let us speak about Company Reputation and Project Acceptability

Bad postings, negative feedback in blogs or the media, horrible testimonials in popular forums and unrealistic scam allegations can potentially put a Company or a project out of business. Embarrassing questions and negative judgment from stakeholders are potentially reinforced by easy access to digital communication media and networking.

Inundated by shock images and alarmist information, it is more and more difficult to convince the stakeholders with a rational speech based on facts. If the risk is restricted to its severity alone, the perception of the risk becomes irrational¹ and naturally leads individuals to take refuge behind the principle of precaution². This irrational perception of risk may cause major complications (or delay) to launch new projects, especially in the energy sector³. Among all the risks inherent to a project, those related to the health and the environment are by far the most sensitive and the most difficult to demystify.

Apart from risks, the long-term perception of key Stakeholders also relies on the ability of IOC to look beyond their Oil & Gas business and manage activities in a way that creates opportunities for the sustainable development of the host country at local, regional and national levels.

Even if the bad perception of stakeholders is very often based on a misunderstanding or over-estimation of the risk, turning the tide is always extremely difficult for IOC, particularly in the current context where they are less trusted and more aggressively scrutinized.

The good reputation of a Company is therefore paramount to engaging a constructive dialog and listening attentively to manage longer term strategic relationships with stakeholders. By contrast, a bad reputation in public opinion is a serious handicap insofar as dialogue will start with a deficit of trust.

The reputation factors

Reputation reflects the (positive or negative) opinion of general public, opinion formers and/or other stakeholder groups in relation to a given organization (industrial, association, political, project). Reputation is the result of a complex alchemy between real facts (i.e. performance) and irrational perception (the way in which real facts are felt/perceived by the stakeholders). More precisely, reputation is

¹ A. Mergier, G. Biasini, H. Vedrine « *Mutation du rapport au risque dans l'opinion, une nouvelle donne pour la décision stratégique* » Personal communication

² Ph. Charlez "Le principe de précaution : un concept dévoyé" Revue Risques N° 103

³ Shale gas is currently the most popular example

the product of three independent factors: responsibility, reliability and credibility (**Figure 1**). A good reputation requires the presence of all three components⁴.

	Criteria	Achieved by
Responsibility	Operate safely	Strong safety culture
	Protect environment	High levels of environmental awareness and protection
	Comply with laws	Full compliance with local, regional & national laws
Reliability	Socially responsible	Contribute to a sustainable (economic & societal) future
	Deliver on schedule	Perform as advertised by delivering on schedule
	Deliver on cost	Perform as advertised by developing project on budget
Credibility	Deliver on quality	Demonstrate experience. Competence and innovation capabilities
	Open	Communicate regularly on the Venture's activities
	Honest	Provide correct information and comply with law
	Transparent	Proactive communication concernin stakeholder's requests

Figure 1 - The three factors governing reputation

Issue management: nuisances, risks, myths, and opportunities

Shareholders mainly assess the performance of a company through the reliability factor of reputation i.e. fulfilling the business goals by delivering at or below planned cost, on schedule and according to the required level of quality. On the other hand, external stakeholders will be more sensitive to the responsibility factor by focusing on five major Critical Success Factors:

- ✓ health and safety of personnel and neighboring communities,
- ✓ environmental impact,
- ✓ compliance with local and international laws,
- ✓ maximizing local employment in terms of local suppliers & nationalization of the workforce,
- ✓ creating opportunities for the Sustainable Development of the operating region and country

The effective management of each of these critical success factors is based on the identification, understanding and resolution of "issues" specific to each project and each region. From a stakeholder's point of view, an issue is an existing, emerging or unresolved matter that can impact one or several Critical Success Factors either positively (it is then called an "opportunity") or negatively (it is then called a "risk"). As in conventional risk management, risks and opportunities are assessed by a severity (positive or negative importance of the event) and a probability of occurrence (probability that the event will occur) using severity (level 1 to 5) and

⁴ P.A. Charlez (2012) "Acceptability of new Oil & Gas projects and Reputation Management. A major challenge for the International Oil Companies" SPE/APPEA International Conference on Health, Safety, and Environment in Oil and Gas Exploration and Production. Perth, Australia, 11-13 September 2012. SPE 155511

probability of occurrence (level 1 to 5) charts colored in green, yellow and red (**Erreur ! Source du renvoi introuvable.**). Risks and opportunities have inverted charts. Whatever its severity and according to its actual probability of occurrence, the risk itself can be broken down into three main categories, namely *nuisance*, *myths* and *risks*, defined as follows:

- ✓ a *nuisance* is a negative event with low severity but a 100% probability of occurrence,
- ✓ a *risk* is a negative event with any severity and a probability of occurrence less than one,
- ✓ a *myth* is a negative event with high severity but extremely low probability of occurrence.

Nuisances, risks, myths and opportunities need to be processed differently:

- ✓ Nuisances have to be mitigated by taking action to reduce the impact,
- ✓ Risks have to be mitigated by reducing both probability of occurrence and severity,
- ✓ Myths have to be dispelled using an appropriate communication plan and pertinent monitoring in order to demonstrate the extremely low probability that the event will occur,
- ✓ Opportunities have to be promoted

Mitigating nuisances and risks as well as debunking myths are prerequisites to promoting opportunities.

Environmental and socio-economic baselines

Before starting any activity on a project, it is essential to establish a reference state or "*baseline*" of key environmental and social issues (whether nuisance, risks, myths or opportunities) within a perimeter confined essentially to the future operating area. The main purpose is to discriminate the possible impact of project activities from a legacy situation.

Although rarely required by local regulations, the baseline is a crucial prerequisite to enable a company to protect itself from events beyond its responsibility, as they occurred prior to its operational activity in the future operating area.

The baseline is usually conducted under the responsibility of the Company by one or more independent contractors. It includes a literature survey as well as field trips including on and offshore surveys. The baseline is broken down into environmental and socio-economic baselines.

The *environmental baseline* (EBL) covers:

- (1) Mapping the biodiversity⁵ (fauna and flora) of the surrounding area.
- (2) A reference state of seismic activity in the region
- (3) A reference state of surface and ground water⁶,
- (4) A reference state of soil or sediment (oceans, lakes, rivers),
- (5) A reference state of air quality with dedicated measurement of the levels of CO₂, NO_x, SO₂, H₂S and volatile organic compounds,
- (6) Noise, dust, light pollution, onshore and offshore maritime traffic
- (7) Identification of existing anthropogenic pollution of domestic (poor collection and treatment of domestic waste), industrial (abandoned equipment, leaks including legacy wells) or agricultural (groundwater pollution by fertilizers and pesticides) origin
- (8) Waste due to war heritage. Outside environmental aspects, this type of waste also affects aspects of safety
- (9) A reference state of radioactivity (natural or anthropogenic origin)
- (10) Identification of cultural, touristic and archaeological sites.

Conducted in parallel to the environmental baseline, the *socio-economic baseline* (SEBL) aims to map the social and economic contexts in the area impacted by future developments and operations. It consists of looking in detail at human geography (demographic data, health and education systems, access to housing, transportation systems), human resources (unemployment, map of local suppliers and available workforce) as well as economic activities (natural resources, industry, tourism, agriculture, fisheries) in order to anticipate the potential impact of the project. The SEBL also includes the mapping of stakeholders (see further paragraph).

Environmental and socio-economic impact assessment

Compared to the baseline, industrial projects include certain activities (we called them "issues") with consequences (i.e. "impact") on the environment and on the population. The impact of a given issue can be positive (opportunities) or negative (nuisance, risk, myth). It may also be direct (impact and activities occur in the same place) or indirect, reversible or irreversible (permanent or temporary impact), short or long term. The geographic extension (local, regional) of the impact is also an important factor and the intensity of the impact is estimated by concatenating these various factors. The Impact Assessment (EIA for Environmental Impact, SIA for Social Impact) is an integral part of any pre-project but may be achieved earlier during the conceptual or even the exploration phase. It aims to identify issues relating to different activities (exploration, drilling, development and operation) of the future project and to quantify their potential environmental and societal impacts compared to the reference state (i.e. baseline). Impact studies are also carried out during the revamping of existing facilities, the redevelopment of a mature field or

⁵ Biodiversity is a major environmental regulator which influences soil fertility, the maintenance of water quality and elements of CO₂ storage, among other factors.

⁶ Sampling and (chemical and bacteriological) analysis are performed by certified laboratories

decommissioning before abandonment. In general, environmental and societal impact assessments are separate studies.

The impact is not an absolute concept. It does not only depend on the issue itself but also on the sensitivity of the "*receiving milieu*" (natural milieu for the environmental impact, human community for the societal impact) which, may be sensitive to a greater or lesser extent depending on the case. The severity of the impact is therefore defined by setting intensity against sensitivity. It is described on a scale ranging from "*negligible*" to "*major*".

Continuous monitoring

All the environmental and social issues identified during the initial impact assessment will be continuously monitored throughout the entire lifetime of the field and even during a medium-term period for issues whose impact continues after abandonment. This includes the follow up of biodiversity, seismic activity in the region, surface and ground water, soil and sediments, air quality, wastes and radioactivity.

Stakeholder mapping

The second step of the acceptability process is stakeholder mapping. It consists in identifying all the stakeholders that can have an impact/influence on the project, grouping them into the three categories: primary stakeholders who have an impact and can stop the project (key ministries, national company), secondary stakeholders (both impact but also influence on primary stakeholders) and tertiary stakeholders (all the others no direct impact influence only). Stakeholder mapping is a complex iterative process as each one perceives issues from a different standpoint. An issue of critical importance for one stakeholder may be irrelevant for another. Good stakeholder mapping relies on constant, continuous listening, through day-to-day involvement but also through more specific exercises such as public hearings or anonymous reputation surveys. The stakeholder map must be updated on a regular basis.

Stakeholder Engagement Plan (SEP)

The SEP is a list of "*issue related*" actions which aims to maintain and/or improve the Company reputation but also to persuade the stakeholders that for all future or on-going projects, the Company has a robust risk-management program and the willingness to take advantage of all possible opportunities to support the sustainable development of local, regional and national communities. Closing the gaps between Company activities and the stakeholders' expectations and/or perceptions, forges, manages and creates positive relationships strengthened by trust. In practice, it consists of a list of specific projects and/or communication actions designed to:

- (1) decrease the impact of nuisance
- (2) mitigate risks by acting both on severity and probability of occurrence

- (3) dispel myths
- (4) develop and promote opportunities

A key part of the SEP is the "*Communication Plan*", a transparent way of informing stakeholders that issues of interest are recognized, understood, and properly addressed. The Communication Plan will not only focus on goals (what is the nature of the dedicated project the Company wants to achieve?) but also on the effectiveness of the performance in achieving these goals. Practically speaking, a Communication Plan is built around various supports such as corporate support (website, reports, brochures, films), participation in events (stand, presentations, sponsorship of events), active involvement (technical visits, specialized workshop, media training). A SEP will be trusted by key stakeholders only if they feel fully engaged in the process which means: full transparency in operations, consistency in messages, respect of all opinions even if they oppose or clash with those of the Company, admit your mistakes. The use of independent studies/organizations and the marked involvement of senior management are also keys in the credibility process.

Monitoring reputation and acceptability

Listening attentively to the key Stakeholder concerns is probably the most important factor when managing reputation and acceptability. It is only by collecting relevant information and understanding stakeholder perceptions that the Company will be able to properly identify key issues, map stakeholders, build a relevant SEP, and consequently protect its reputation and the business objectives of its projects. Four major tools can be used to monitor stakeholders:

- ✓ *Stakeholder focal points or stakeholder owners* are the "*internal ears*" of the Company. In particular, it is essential that senior management, as major primary stakeholder owners, give regular feedback to the External Communication team through formal meetings and feedback files.
- ✓ *Media monitoring* is a powerful tool used to monitor the efficiency of an SEP, classifying all the articles related to the Company and its individual projects as positive, neutral or negative, press release.
- ✓ *A Reputation survey* consists in a list of questions submitted to key stakeholders in face-to-face interviews. It must be anonymous and, if possible, comparative among several projects to ensure that stakeholders will not identify the source. The questionnaire must be structured and sufficiently wide-ranging to cover most of key issues. Questions should be simple and easy to understand, and the sample must be representative of all three stakeholder categories.

- ✓ *Public hearings* are special meetings which allow the public (in particular the neighboring communities) to comment on and criticize new projects. Experience demonstrates that a series of well publicized, open public meetings is a particularly effective means of spreading information, listening to Stakeholder concerns, identifying key issues, assessing gaps, proposing mitigation measures and obtaining the stakeholders commitment, contributions and support.

Media involvement

Media are by far the prime source of information for Stakeholders. The traditional media – television, radio and newspapers – have been highly fragmented over the last 20 years. The power of national newspapers has decreased, and more trust is now invested in local and regional newspapers as well as in consumer magazines. Digital communication (internet, mobile telephones and a variety of handheld portable devices) means that more people have access to mass communication devices which means that information can be spread much further and faster. To the media explosion has been added the phenomenon of "*citizen blogging*" which brings unwelcome levels of transparency concerning the Company and project activities. Stakeholders are increasingly recognizing such external bloggers as legitimate commentators on their businesses and treat them as normal journalists.

Incorrect information⁷ disseminated through these communication channels are often the result of a lack of knowledge and proper understanding, more than a will to damage the reputation of a Company and its project. As journalists are paid to write "*stories*" off the cuff, if they are not provided with the right information, they will write stories with the information they have to hand and with their own level of understanding which, in some cases, can be very poor. When widely disseminated, incorrect information develops a threatening culture, feeds unjustified fears and encourages misperceptions on the part of the public.

To control how information on the project is channeled, to counter incorrect information and to answer to potential allegations, it is therefore essential for any Company to engage proactively with the media by:

- (1) mandating the Company's media officer and key spokespersons and creating a flexible decision process to answer inquiries and respond to criticism promptly,
- (2) mapping regularly updating and engaging with the pool of journalists focused on company activities,
- (3) organizing media training and campaigns on key reputation & acceptability issues,

⁷ A typical mistake in O&G is the confusion made in the media between Oil/Gas in Place and Reserves

- (4) developing standard Question & Answer (Q&A) sessions, circulating press releases on key events, holding briefings and press conferences (at least twice a year), organizing press tours and site visits.

Internal involvement: the “sleeping giant”⁸

The employees of the company appear as a second fundamental external communication channel. Depending on the case, it can improve (positive view of the management and its way of communicating) or cause considerable damage to (in the case of a negative view) the perception of the project. Recent experience demonstrates how employee involvement can be crucial in effective brand and reputation management. More specifically, a key influence is internal alignment and the feeling that all members of the board are moving in the same direction with consistent messages. Against this backdrop, internal communication appears as a “*sleeping giant*” of Reputation and Acceptability Management which is not yet sufficiently understood or strategically deployed in most companies. Some have put internal communication under the responsibility of Human Resources, but executives in several major companies consider this to be an erroneous decision. Internal Communication should be a function of the External Communication department to ensure the appropriate delivery of a relevant, consistent message.

⁸ Murray K & White J. (2011) “*Reputation Management - Leading practitioners look to the future of Public Relations*” Bell Pottinger Group