

A ROADMAP FOR REBUILDING “SOCIAL & POLITICAL LICENSE” IN SERBIA

The Western Balkan region has a legacy of weak public governance and historic failures by local investors to properly manage environmental and socio-economic impacts. This has resulted in a **deep-seated public trust deficit** towards large-scale industrial ventures. The region is further characterised by a highly **polarised political landscape**, and history shows a colourful tapestry of investments ‘hijacked’ by political agendas.

As a consequence, new entrants (also those with a record of employing the highest environmental and social standards) cannot expect public presumption that they will ‘do the right thing’. Major industrial investments are “**guilty until proven innocent**” in the court of public opinion.

Opposition research reveals **two strands in opposition narratives against FDI** in Serbia: they tap into a general mistrust towards the political class and presumed collusion with “oligarchic” or “Western” interests, and effectively leverage every chance to allege a lack of intent to mitigate environmental and socio-economic impacts. Given the prevailing trust deficit, both fit with preconceived stakeholder notions.

For these reasons, **regional entrants are strongly advised to deploy proactive measures as early as possible** to drive the public narrative to build *assurance* and socialise a *positive value proposition*. It’s important to recognise that such local negative narratives and opposition start the moment a project becomes a perceived reality in the public mind — this is when investing enterprise should deploy proactive engagement. Waiting until internal processes catch-up with the external reality (typically awaiting internal FID) tends to add significant cost and time to the efforts to retake and control the public narrative.

With respect to **building such powerful value propositions** it’s important to note that *generic* propositions, like ‘job creation’ or ‘tax revenues’ tend not to resonate with affected stakeholders. They have heard it all before. Building powerful value propositions require a dedicated effort to identify and leverage the value universes of *distinct stakeholder groups at local, regional, and national level* into a coherent narrative with multiple touch-points. The most effective value propositions build on pre-existing cultural, social or national-strategic factors.

Despite the long history of complex investor relations, there is a silver lining — in step with regional efforts to modernise governance and attract much needed FDI, **recent years have seen positive examples of strategic reversals and rehabilitation of previously lost ‘political and social license to operate’**. The most high-profile regional example is the Trans Adriatic Pipeline in Greece. That project was for years vocally opposed by consecutive Greek governments and local stakeholders, but eventually secured unprecedented bi-partisan political endorsement and 90%+ approval from affected communities and was successfully implemented.

External observers are split on their views of Rio Tinto’s Jadar project. A **former senior minister** with close links to the President assessed it will be an uphill struggle for RT to rebuild the trust lost in the run-up to elections. Such sentiments were echoed by a **partner in a leading law firm** “*they [Rio Tinto] need to understand this isn’t a legal matter but about understanding the Serbian psyche and rebuilding trust. They have largely ignored that*”. Others, including the **Chairman of a national federation** and the **CEO of a regional PR company**, expressed a positive outlook and assessed that with the right rehabilitation strategy Rio should be able to recover for lost time “*the opportunity for Serbia and how it plays to the country’s relationship with the EU, the United States and Russia is simply too big to be lost. It’s a complex, but achievable, challenge*”

The Rendon Group / Critical Publics

The Rendon Group / Critical Publics has a distinguished record supporting investors to develop and/or rehabilitate and successfully execute major investments in the region. TRG/CP views Rio Tinto's investment in Jadar of significant importance to Serbia, as well as a number of broader European and Trans-Atlantic immediate and medium-term strategic objectives. Drawing on regional and national networks in Serbia and more than 30 years of technical, analytical and operational experience in operating centres in Washington DC, Boston, London and Athens — the TRG/CP has the experience and expertise to help investors affect positive change.

TRG/CP proposes to gather, collate and analyse information to ensure RT's leadership has the relevant **actionable intelligence** to shape and deploy external initiatives and national counter-narrative about RT's Serbian contribution, including how RT's investment offers a platform to secure national strategic objectives, incl. strengthening European and cross-Atlantic political relations, diversified strategic supply of energy (natural gas), and minimising political disruption. TRG / CP senior leaders proposes to work alongside RT leaders in Belgrade and London to help shape and socialise RT's assurance and value narratives in Serbia, and support RT leadership to continuously assess and refine external engagement.

John Rendon is one of the world's leading pioneers in the use of strategic communications as an element of national power and one of the first thought-leaders to harness the power of emerging technologies to support real time information management. He has served as an executive advisor to the White House, the U.S. Department of Defence and the National Security community, and has lectured at prestigious institutions incl. US War College and National Defence University, The Albanian Armed Forces Academy, Asia Pacific Centre for Security Studies, the Centre for Strategic and International Studies (CSIS), the Defence Academy of the United Kingdom, and several leading universities, incl. Georgetown, Harvard, and Berkeley. Mr. Rendon has extensive experience supporting private investors and the government in Serbia, most recently supporting the rapprochement between President Vucic and President Biden in the wake of Russia's illegal invasion and annexation of Ukraine.

Rikard Scoufias has 25 years international experience leading strategic turnarounds and rehabilitating political and civil society relations in the energy extractives. Between 2011-18 he served as Country CEO / P&L leader for the Trans Adriatic Pipeline in Greece, where he led the projects successful turnaround and construction. Prior, he headed Corporate Affairs for BP Plc. in London and oversaw several of the company's most high-profile and challenging international investments, incl. de-risking BP's \$20BN upstream investment in Angola, exploration entry into the Brazilian Amazon basin, global crisis management for Tangguh LNG in Indonesia, and BP Group's Government & Public Affairs in Europe. He is a thought-leader on political risk and stakeholder engagement, with contributions featured by the Economist, the Financial Times, and Davos Economic Forum, and also serves as chairman of Greece's national energy resources corporation and a non-executive advisor to ERM in London.

Thomas Antoniadis gained extensive institutional reputation, public affairs and crisis management experience as an associate of various advisory and consultancy firms in London. He was responsible for the corporate communications of several LSE, AIM, NYSE, NASDAQ, ASE, DAX and NUOVO MERCATO listed companies, as well as communications crisis management for multinational corporations and governmental organizations. He has served as a special consultant on numerous complex crises, issues and disputes and as a special advisor to the leadership of various multinational corporations. Presently, he is consulting major corporations on crisis preparedness, management and investment continuity. He has been working in the Western Balkans for over two decades handling various complex issues in the domains of energy, telecommunications, mining, banking and defence. Thomas holds an MA in Diplomatic Studies (Crisis Management and Dispute Resolution) from the Diplomatic Academy of London, and a degree in European Law from St Mary's School of Law. He is a Research Fellow at the Centre of International Conflicts Analysis and a guest lecturer at the Media Studies Department of Birkbeck College.

ANNEX 1: key lessons drawn from the Trans Adriatic Pipeline turnaround

The TAP project is a €5.5BN energy-infrastructure project to construct a pipeline connecting EU markets to gas resources in the Caspian. The project was for years subject to political and stakeholder opposition in Greece, its main geography. The company underwent a strategic transformation that overcame opposition, and paved the way for the successful implementation with political endorsement and overwhelming community support.

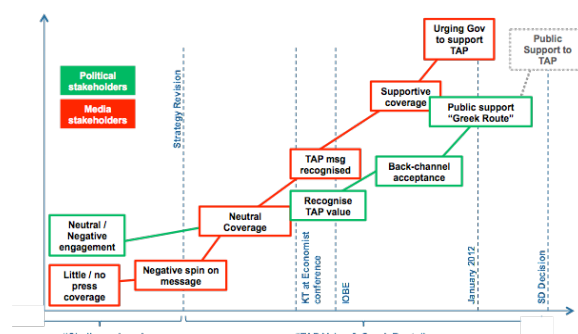
A voice on Environmental & Social impacts : to counter misperceptions about E/S impacts and re-take the narrative, TAP organised 100+ community meetings to present early ESIA objectives and allow stakeholders opportunity to ask questions and raise concerns. Engagement was proactive and *preceded formal ESIA approval* to ensure stakeholders felt they had opportunity to input into the ESIA early on. It was assessed that omission to communicate early ESIA findings would rise suspicion locally “*they aren’t telling us... so it must be bad*”.

Small accommodations go a long way to build trust : TAP accommodated 100 minor route-adjustments during the design-phase, like shifting the pipeline route to facilitate small local projects, like farmers drilling a well. The cost of adjustments was outweighed by the trust-building with stakeholders from tangible ‘*listening and acting*’.

Land is highly emotive, and administrative land processes are onerous : “land” has deep emotive connotations in the region and legal frameworks for land-easement or expropriation are onerous and complex. As part of the **Host Government Agreement** that TAP negotiated with the Greek Government, it was agreed to implement a *parallel and voluntary* land easement programme where affected landowners and the company could agree ‘fair compensation’ out of court. The company also committed that if voluntary agreements were made and would have received higher compensation in court, the company would compensate the difference. The programme was designed to EBRD and World Bank project guidelines and turned out to be a cornerstone in TAP’s community relationship: land rights were acquired from 14000 landowners, without expropriation.

Direct and cooperative community investments : TAP devised a €32M community investment programme in cooperation with local actors and nationwide institutions such as foundations, industry, SME federations and farm schools. The programmes provided immediate philanthropic contributions and medium-/long-term sustainability contributions. Some ‘international consultants’ initially protested TAP’s decision to include a philanthropic component, but the company assessed that immediate contributions were necessary to build trust and confidence. At €32M, the community contribution was significant, but compared to what would, statistically speaking, have been the opportunity-costs associated with delays and execution risks, it made economic sense.

A sense of shared ownership is mission critical : a key strand in all TAP’s communication strategy was to minimise focus on ‘technical’ aspects of the pipeline, and emphasise the role of host communities and nation: “*there is a reason why we don’t let engineers design our advocacy and community engagement strategy ...they like engineering too much*”. As part of the strategic re-direction, the company replaced all references to “the TAP route” with “the Greek route” and rather than emphasising how the “*project was of world class standards and magnitude*” emphasis was made on how the project would “*elevate Greece’s role in the European and regional energy landscape*”. Semantic details, it may seem, but critically important to building a sense of shared ownership. Audio and video presentations were also narrated by speakers with a Greek English accent.

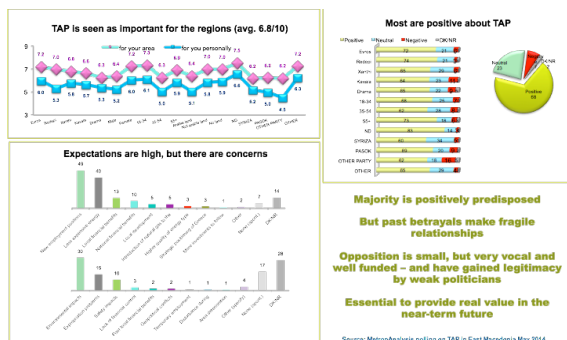


Step by step transformation, and key stage-gates monitoring : after years of political and stakeholder opposition, it was recognised that the reversal had to be *step-wise*. However, the company needed to be able to evaluate if the transformation was moving in the right direction. Hence, a step-by-step plan was established with stated stage-gates / KPIs to track whether political stakeholders, media and local stakeholders absorbed and re-aligned to TAP’s narrative. In 24 months, the national media landscape went from a small number of predominantly negative stories about the project, to becoming the most frequently referenced investment with over 700 positive media mentions. The media strategy culminated in 2013 with the formerly opposed Prime Minister publicly declaring the project “the most important and positive economic development in a decade”.

Local presence and the critical role of ‘mutually trusted interlocutors’ : Local Community Liaison Officers, drawn from the local communities, were permanently based in each of the three project areas in Northern Greece, and were empowered and *encouraged* to drive initiatives seen to benefit local stakeholders, even at ‘the cost of the company’, such as supporting individual landowners to argue for route-adjustments of the pipeline. Rather than just being mouth-pieces for the company, these CLOs took on the guise as local ambassadors and intermediaries valued by local affected communities. At times this created complex dynamics between CLOs and the TAP’s international leadership, but such tensions were easier to resolve than external stakeholder conflict.

Data driven assessments and critical path planning to overcome analytical dissonance and bias: To overcome dissonance between “the world in the eyes of a global investor” and “the world in the eyes of local / national stakeholders” significant resources were dedicated to build an accurate appreciation of stakeholder perceptions. A recurring challenge was that senior national (Greek) TAP executives did not typically reflect local stakeholders

(education levels, political orientation etc) and tended to exhibit analytical- and confirmation bias. To overcome this, fact based assessments of stakeholder perceptions by polling and focus groups were as key to overcome dissonance.



A similar dissonance was identified when designing the project’s ‘critical path’: permitting lead-times, as stated in regulatory and administrative frameworks, differed notably from the administrative reality on the ground. This created unnecessary costs and friction between local management

and international project leadership (situated in Switzerland) and resulted in instances of the company prematurely mobilising resources on the presumption that permits would be in place by certain dates, whereas in reality (and as anticipated by those with better ‘on-the-ground’ knowledge) they were delayed due to an overburdened national administration and / or political interference.

Every stakeholder needs their own value proposition : TAP made a dedicated effort to shape *several distinct* value propositions to reflect each individual stakeholder group — on the principle that each stakeholder had to perceive a direct (and personal) benefit from the project; from the local farmer, to the regional governor, all the way up to the Prime Minister. At local level, this was predominantly associated with land compensation, community investment, and livelihood opportunities (sourcing accommodation, sundries, and where possible industrial materials locally in cooperation with regional SME industry associations). At national level, emphasis was given to Greece’s role in the regional energy landscape, how TAP evidenced investor confidence during the challenging Greek economic crisis, and how TAP could support national industrial actors and conglomerates.

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