

Management Framework

CONTROLLED DOCUMENT

Transgrid Social Licence Framework

Summary

Transgrid's Social licence Framework

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1. Purpose and objectives

Transgrid places the voice of the community at the center of our decision making. We strive to build positive and lasting relationships with our local communities, create tangible benefits to the energy consumers, our communities, and the environment as part of our commitment to building a sustainable clean energy future.

By securing and maintaining social licence, Transgrid is best able to achieve the following objectives:

- deliver critical transmission projects for electricity consumers of NSW, creating shared value for regional communities and minimising risk of delay or community opposition;
- optimize the delivery of positive social and economic outcomes (social value) beyond mitigating or reducing any adverse impacts to communities and regions (or potential impacts) introduced through our activities;
- build lasting relationships and nurture trust with our stakeholders;

This framework outlines:

- Transgrid's approach to building and maintaining social licence across its projects and operations activities;
- the elements of expenditure that can be categorised as social licence investment;
- the project-level delivery tools and plans contributing to achieving social licence;
- a decision-making process for the identification, evaluation, scoping, planning, cost/benefit appraisal (where possible) and delivery of prudent and efficient social licence investment opportunities;
- Our social licence investment governance, monitoring and evaluation process.

2. Strategic Context

2.1. What is social licence?

The term social licence (sometimes described as social licence to operate) is used to describe the 'quality' of the relationship with our stakeholders and how it influences our ability to deliver, maintain and operate energy infrastructure. Fundamentally social licence is about trust.

Social licence is a collective reflection of our stakeholders' expectations, beliefs, perceptions, and opinions about Transgrid. It is an outcome of the way Transgrid, plans, builds and manages its infrastructure, particularly the 'perceived' and real impacts and opportunities, and the way we communicate with the community and all relevant stakeholders.

Social licence is about ensuring timely, sustainable and acceptable outcomes for all stakeholders – it is a key success factor for projects and entails benefits to our communities and consumers.

2.2. Importance of social licence

Social licence is critical to the successful delivery of major transmission projects and public acceptance of the broader energy transition.

Building and maintaining social licence takes time, continuous efforts and investment. Engaging meaningfully with landowners, communities and stakeholders throughout each stage of a major transmission project is essential for managing expectations, and mitigating risks that could otherwise lead to delays, cost overruns, and even project failures.

Delivering tangible benefits for landowners and communities is equally vital for public acceptance.

2.3. Risks of not securing social licence

The Australian National University's Institute for Infrastructure in Society (I2S) reported in 2022 that the second highest major influence of project delay is stakeholder and community pressure, exceeding other influences including regulatory, planning and technical issues.

Community and stakeholders support is vital to the timely delivery of major transmission projects. Risk factors include:

- Potential delay of key transmission projects due to community opposition, locking in the costs of more expensive delivery and eventually additional costs to consumers.
- Delays resulting in further uncertainty for the electricity market, potentially discouraging commitment of new generation projects and thereby jeopardising security of supply to reduce pricing and net zero objectives.
- Lack or loss of social licence for one major project in one community can have spill-over effects on other projects in other communities.

3. Principles and approach

Transgrid's approach to social licence draws on the agreed principles and frameworks from global sources including the International Association for Public Participation (IAP2) and Interorganisational Committee on Principles and Guidelines for Social Impact Assessment(SIA), contemporary policy guidance from Australian jurisdictions including the Better Practice Social licence guidelines – Energy Charter 2023, together with best practice in other relevant jurisdictions, industries and what we have heard from communities and stakeholders. Transgrid's approach is informed by its [Community Engagement Policy](#)

Through our approach, we:

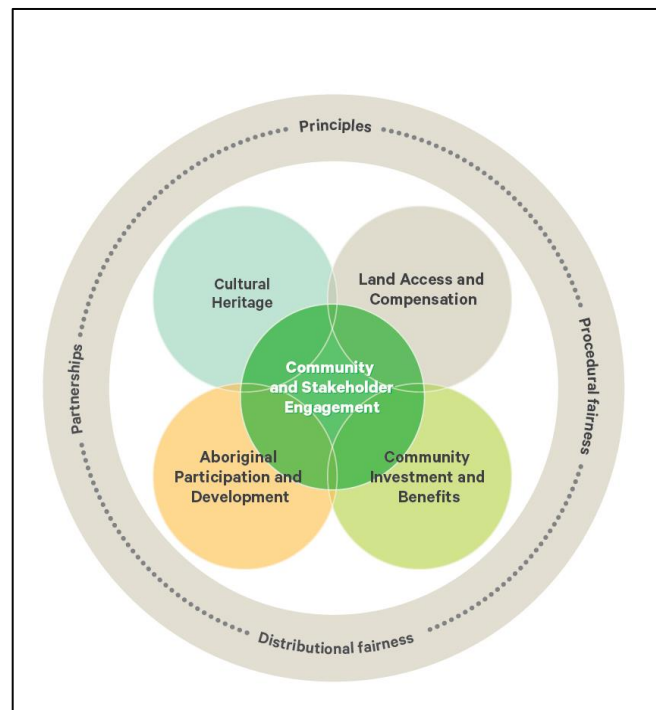
- listen to and take into account the needs, aspirations and concerns of our stakeholders
- engage, consult and collaborate with our stakeholders in a constructive and transparent manner
- have robust route selection processes which consider community feedback in decision making
- ensure compensation for landowners is fair, equitable and transparent

- ensure impacted communities receive sustainable benefits
- incorporate indigenous communities' aspirations and cultural heritage aspects in our planning and execution.

Foundation principles include:

- **Procedural fairness:** enable affected landholders and communities reasonable opportunity to engage in the decision making that can, or will, impact their lives and livelihoods.
- **Distributional fairness:** considering sustainable and equitable outcomes and benefits for affected landholders and communities.
- **Partnership:** working with landholders and the broader regional communities impacted by transmission projects in partnership to identify and deliver benefit sharing opportunities. Working with our delivery partners to optimize the delivery of local and regional social and economic outcomes through the project's construction phase.

Figure 3.1 - illustrate the integration of the social licence constituents.



4. Social licence elements

Social licence covers a broader spectrum of elements and is evolving in line with changing stakeholder expectations. There is increased recognition of the importance of taking a carefully planned and holistic approach to social licence to include delivery outcomes in addition to engagement.

4.1. Community and stakeholder engagement

Transgrid engages with a wide range of external stakeholders to plan, construct, and operate the transmission network in NSW and ACT, connecting generators, distributors, and major end users. This includes communities, landowners, indigenous groups, all levels of government, regulators, industry associations and commercial partners, consumer advocates, research institutions, suppliers,

Objective	Achieve social licence, measured as broad community and stakeholder acceptance of Transgrid and its major transmission projects					
Element	Engagement			Delivery Outcomes		
	Community and Stakeholders	Landowners	Indigenous Communities	Local social and economic Outcomes	Aboriginal Participation & Development	Community Investment

investors, and financiers.

Transgrid is continuously improving its engagement policies, tools, capabilities, consultation record keeping and reporting drawing on the industry best practice standards to support building its social licence.

4.2. Delivery outcomes

Communities have high expectations of the social and economic benefits that major project investments in their region will bring, particularly in terms of opportunities for local businesses and the employment of local people. To achieve and demonstrate these outcomes, Transgrid is using a range of contractual obligations and processes with its delivery partners.

Ensuring that our delivery partners deliver against these obligations and commitments and that Transgrid can track and report on outcomes and impact, is critical for building and maintaining social licence.

Partnering with communities and stakeholders to co-design and deliver community investment, place-based initiatives, to ensure impacted communities receive sustainable benefits that adequately reflect the social legacy expectations, creating social value is equally critical.

Each of these interactions may contribute to different elements of social licence. For example, fair and reasonable compensation to a landowner for acquiring an easement on a transmission project would be expected to have a positive impact on social licence. Similarly, initiatives that improve outcomes for cultural heritage, or increase indigenous participation rates in the workforce would also be expected to have a positive impact on our social licence to operate.

Figure 4.1 – Transgrid’s integrated Social licence approach along with a non-exhaustive list of related tools, policies and plans

Approach	Listen to and take into account the needs, aspirations, and concerns of our stakeholders	Involve stakeholders in a constructive and transparent manner on the need for energy infrastructure, impacts and benefits	Have robust and transparent route selection processes which consider community feedback in decision making	Ensure compensation for landowners is fair, equitable and transparent	Incorporate Indigenous communities' aspirations and cultural heritage aspects in our planning and execution	Impacted communities receive demonstrable employment and economic opportunities through project delivery	Incorporate Indigenous communities' aspirations and cultural heritage aspects in our planning and execution	Ensure impacted communities receive substantial benefits that adequately address social legacy expectations
Project level delivery	Community, Government and Stakeholder Engagement Plan	Community Consultative Groups	Route selection process	Place Manager and land Access Officer Engagement	First Nations' team support	Local Workforce Participation and Development Plan	Aboriginal Participation Plan	TG Community Investment and Benefit Strategy
	Social Impact Assessment	Place Manager Engagement	Community Consultative Groups	Access through consent to enter	Reconciliation Action Plan	Local Industry Participation Plan	Aboriginal Procurement Plan	Social Impact and Opportunity Workshops
		TAC Engagement	Environmental Impact Statement (EIS) or REF engagement Where applicable	Property Management Plan	Cultural Heritage assessment	Investigating SBP payments		Project Community Investment and Benefits Plans
		AEMC, AEIC and AER Engagements		Easement negotiations, acquisition, and compensation				Strategic Partnerships and Major Project Program initiatives
				Strategic Benefit Payments				Community Partnership Grants
				Social legacy options analysis and CBA				
				Investigating near neighbour payments				

Ongoing engagement with our stakeholders, monitoring, evaluation and reporting to ensure the optimal outcomes for consumers and communities.

5. Social licence budget

Developing a social licence budget is a project specific activity, vary widely and involve a range of considerations, including:

- the resources and opportunities of the project,
- the delivery business model (contestable vs. non contestable),
- the elements of social licence included,
- Project funding model – AER RIT-T or NSW Govt EII Act
- Community and stakeholder consultation outcomes

- available government guidance, rules and regulations on efficient and prudent social licence and on better practices community and stakeholder engagement
- the project social and economic context/baseline,
- the project risk profile (identified environment, social and economic impacts) and
- how social licence is governed and measured.

Current limited benchmarking data, suggests that proponents of major infrastructure projects worth \$2 billion or more should aim for between 1.0-1.3% of the total project budget, inclusive of community and stakeholder engagement and community investment programs, as identified in prominent research by the Australian National University's Institute for Infrastructure in Society (I2S)

6. Social licence investment opportunity selection process and assessment criteria

6.1. Proportional approach to assessment

Transgrid recognises that the level of assessment and information to support proposed social licence investments should be proportionate to the scale and nature of the investments under consideration. The level should reflect the standard required to demonstrate prudence and efficiency, rather than a one-size-fits-all approach.

Accordingly, the framework outlined in section 6.2 provides a rigorous, multi-step identification and assessment process for significant, high value, priority and/or or high-risk social licence investment initiatives.

Spends that fall into one or more of the following categories, are exempted from the process outlined in section 6.2:

- On-costs, such as publishing and printing of communications materials, room hire and catering for regional engagement sessions;
- Costs associated with a direct regulatory obligation – easement compensation and strategic benefit payments;
- Sponsorships, memberships, grants or similar;
- Other low value, low risk spend items.

For such spends, detailed justification and assessment is not warranted or efficient. Instead, a two-fold test should be applied:

Prudence test - supply evidence of the initiative being used on other major projects by Transgrid or Australian TNSPs, together with clear information demonstrating the relationship to the project.

Efficiency test – provide and substantiate benchmark rates from other projects and/or Australian jurisdictions. Compare supplier quote to benchmark rate and justify any material departure.

6.2. Identification and assessment process

Potential community investment initiative must be assessed against business goals and in accordance with foundation principles. Each initiative proposal will be developed and assessed in four steps:

1. Engaging and consulting with the relevant stakeholders, screening and evaluating the different opportunities with the assistance of the below screening questions, developing the relevant concept and engaging with the potential implementing partners,
2. Drafting the opportunity proposal document,
3. Assessment committee review, assessment, and endorsement,
4. Management review and endorsement of the proposed initiative document.

Table 6-1 below outlines the key actions and responsible person(s) associated with each step. While all steps must be adhered to, the actions are intended to be applied flexibly depending on the individual initiative circumstances and the nature and scale of the initiative in assessment. Not all the actions will be relevant to every initiative and certain initiatives will require a higher standard of information and evidence to demonstrate its prudence and/or efficiency.

Table 6-1 - Assessment Process

Step	Activity	Action	Responsible person(s)
1	Consultation, screening and evaluating the different opportunities	1- Engage and consult with the relevant internal and external stakeholders 2- Identify the need and the expected outcomes 3- Evaluate the different opportunities and streams 4- Engage with potential implementing partners	Project Community Investment Manager/Advisor or Project/Business Unit (BU) Stakeholder Engagement Manager/Lead or Initiative Lead
2	Drafting the initiative proposal document	1- Draft the initiative proposal document addressing the screening questions/check list 2- Description of the Return on Investment (to the consumer and the community) 3- Provide any additional information relevant to the initiative proposal	Project Community Investment Manager/Advisor or Project/BU Stakeholder Engagement Manager/Lead or Initiative Lead
3	Assessment Committee review and endorsement	1- Review/comment and evaluate the different aspects of the proposed initiative – considerations 2- Endorse the proposal document and/or suggest changes/edits to the proposal document	Assessment Committee: Project community investment Manager/Advisor or BU Engagement Manager – Chair Project/BU Community and Stakeholders Engagement Manager – Member (or chair, if the project does not have a dedicated community investment manager/advisor) Corporate Marketing Manager or delegate - Member Social licence Lead – Member Corporate Indigenous Advisory Manager - Member Other members as identified and assigned by the chair
4	Management review and endorsement	1- Review the initiative proposal document, the Assessment Committee recommendation and approve the proposal or request changes/additional information 2- Socialize the endorsed opportunity through Transgrid Advisory Council	Project or BU Director or the respective EGM (subject to the DOAG level required) Stakeholders Engagement Team

6.2.1. Proposal screening questions

The following screening questions should be investigated and addressed in the initiative proposal document, as relevant. These questions will assist in providing the reviewers and approvers of the initiative proposal with the necessary information to evaluate and approve the proposed initiative.

1. Describe the initiative and/or partnership scope, drivers to recommend the initiative and expected impacts/outcomes?
 - Initiative or partnership scope should include a description of the stakeholders consulted and their input, as/if applicable.
 - Are there any community partners or funding support organisations assisting in achieving the initiative goals?
 - Recommended implementing partner proposal and background, as/if applicable.
 - Existing or planned similar initiatives (government and public) and description of potential synergies, if/as applicable.
 - Details of any alternative funding option considered, used or to be pursued (e.g. government grants or concessional finance), if/as applicable.
 - Drivers and objectives - should be linked to an impact introduced by the project or a community need and/or aspiration.
 - How is the proposed initiative linked to the delivery of a specific transmission project?
2. Will the proposed initiative or partnership provide a lasting, measurable, and tangible benefit to the community in which Transgrid operates? How will it be sustained, if applicable?
 - Which community investment focus area(s) will it impact?
 - Which of the Area Of Influence (AOI) communities will the initiative impact?
 - Is it aligned with relevant Transgrid policies and strategies?
 - Description of the initiative's monitoring, evaluation, and reporting process/expectations
3. Description of Transgrid's role in the execution of the proposed initiative/project? What resources are required from Transgrid? What are the timeline considerations for securing the internal approvals and impact/risk of delayed approvals, as/if relevant? What is the exit or sustainability strategy? Is a risk assessment required for the proposed initiative?
4. Description of the required budget and expected execution timeline for the proposed initiative
5. Description of the cost benefit analysis, the Return on Investment (to Transgrid, the community and consumers) and demonstrates mutually beneficial outcomes, as/if applicable.
 - Expected economic and/or social and/or environmentally sustainable outcomes for the AOI community (ies) in which it is to occur and expected outcomes for Transgrid and consumers
6. Will this initiative provide promotional and other reputation building opportunities for Transgrid before, throughout and after the execution phase?

Additional screening guidelines and considerations

- The final determination on whether to progress the initiative proposal for management review/approval will be the responsibility of the Assessment Committee (see table 6.1 for the review, assessment, and endorsement steps)
- Transgrid sponsorships, partnerships and donations are subject to the corporate sponsorships, partnerships and donations procedure and related initiatives are to be reviewed and approved by Marketing team. For further details and the latest version, please refer to the corporate sponsorships, partnerships and donations procedure on The Wire

6.2.2. Evaluation of multiple opportunities

The following table provides a matrix that could be used for assessing and prioritising multiple proposed investment opportunities

Potential opportunity	Community Needs	Initiative Delivery	Cost and Benefits	Sustainability	Total Scoring	Overall Ranking
Initiative A						
Initiative B						
Initiative C						

Each of the criteria in the table above have a weighting of 10 points and can be interpreted in the following manner:

Address a community need

- Does the project adequately address the community needs and aspirations?
- Will the initiative increase the availability of needed resources to the community?
- Will the initiative benefit a broad cross-section of the community?
- Has the beneficiary received community development support from us in the past?
- Will it take a long time (more than six months) for the community to realise the benefits of the project?

Initiative delivery

- Does the initiative require specialised technical expertise to both start and maintain?
- Is there a competent, experienced third party available to implement?

Cost and benefit

- Is the cost of the initiative commensurate with the anticipated benefit from the project?
- Will the community/beneficiary be able and willing to contribute to the project (normally through an in-kind contribution)?

Sustainability

- Can the community keep the initiative running by itself once the assistance has gone?
- Is the initiative sustainability or exit strategy practical?

7. Delivery, governance, monitoring and evaluation

7.1.1. Award and execution of the contract

Following the project director or the relevant BU manager's approval, the project Community Investment or Stakeholder Engagement Manager or the Initiative Lead, or the Social licence Lead, if no dedicated community engagement resource is allocated to the project or the BU, will engage with the implementation partner to develop and execute the relevant commercial instrument (eg. funding agreement, contract or Memorandum Of Understanding (MOU) etc).

7.1.2. Initiative delivery

Selected community investment initiatives will primarily be implemented through or in collaboration with third-party partners. Third-party partners, such as academic institutions, non-government organisations, and consultants, will be selected based on their ability to provide expertise and local experience. For the project community investment initiatives, the project Community Investment Manager/Advisor will be responsible for managing the third-party partner/s, or the delivery partners ensuring that the assessment process outlined in section 6 and 7 of this document is adhered to including establishing a program delivery and evaluation plan that will be reviewed regularly to assess the program's progress and effectiveness. For the BU community investment initiatives, the

Operations Community Engagement Manager or the initiative lead will be responsible for the initiative assessment, monitoring and evaluating the program's progress.

7.1.3. Monitoring and evaluation

Investment activities should have a defined social impact monitoring and evaluation process, including expected outcomes as part of the proposal. The overall goal of community investment is to enhance the livelihoods of individuals and communities, while mitigating potential impacts introduced by Transgrid projects and/or operations. The overall goal of the social impact monitoring and evaluation process is to determine whether the initiative have succeeded in meeting its objectives and allow the opportunity to interrogate variances, implement corrective actions while sharing regular updates to the different stakeholders

At an initiative level (activity level), monitoring and evaluation processes will seek to assess the inputs, outputs, and outcomes of the initiative and to understand the reason/s for any variances from those anticipated in the initiative proposal documents. The below social impact monitoring and reporting template could be used to evaluate investment initiatives.

Issues/Objectives	Activities to achieve the objectives	Risks/Challenges	Inputs	Outputs	Actual outcomes (Performance Indicators)	Variance	Reasons for variance	Corrective actions	considerations

8. Implementation

The Social Legacy team will ensure this framework is implemented

9. Monitoring and review

Updated yearly

10. Change from previous version

Revision no	Approved by	Amendment
1	Maryanne Graham, EGM Corporate Affairs, Stakeholder Engagement & Environment	Changed process owner to GM of Community & Social Licence Corporate Affairs, Stakeholder Engagement & Environment Updated business unit name Updated title of GM Strategic Advocacy, Government & Legacy Updated EGM's title and business unit Updated reviewer to A/GM Community & Social licence Stakeholder & Corporate Affairs Updated Section 3 – to include the link to the Community Engagement Policy Updated Section 4 – Social licence elements for clarity Updated Section 5 – Social Licence Budget, to include additional factors influencing budget

		Updated Section 8 – changed to Social Legacy team
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11. References
