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STAKEHOLDER ENGAGEMENT:
Key to managing risk in mining

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NOW RISK FACTOR #1

Ernst & Young - 2019 Top Ten Risks



Underestimating the power of even a single stakeholder would be a mistake.

Deloitte -2019 Tracking the Trends

- ***Deriving shared social outcomes is a strategic issue***
- ***Companies have long recognized the imperative of earning a social license to operate.***
- ***Social license to operate is becoming a pivotal strategic issue that will either differentiate companies or derail them.***

WHAT IS IT?



SOCIAL LICENSE – FIRST PRINCIPLES

Social License is:

- Granted by the local community
- Intangible, informal, non-permanent, dynamic
- Has to be earned and then maintained
- Defined as
 - *Ongoing Acceptance or Approval*
- **An expression of the quality of a relationship**

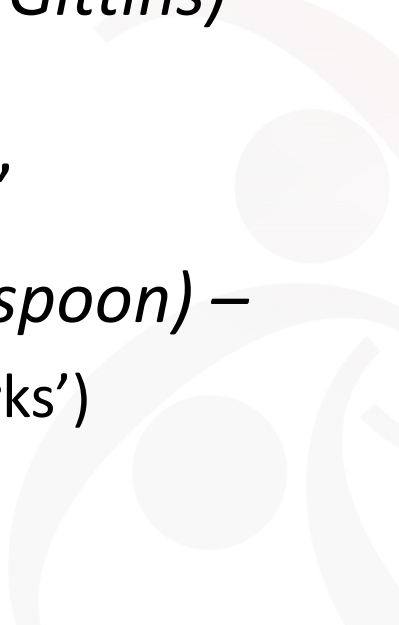


EVOLUTION AS A MANAGEMENT TOOL



- Term coined by Jim Cooney. Placer Dome
 - Meeting at World Bank in March 1997
- Current use of phrase in mining.
Nelsen (2006):
 - SLO is granted by the community. renewable daily
 - Definition: Ongoing approval or acceptance
- Development of the concept as a management tool
 - Thomson & Joyce (2008): specified 3 levels
 - Thomson & Boutilier (2011): specified 4 levels & linked to resource dependence & stakeholder network analysis
 - Black (2013): measurement & factor analysis
- Usage spreading
 - Agriculture, infrastructure, energy, aquaculture, tourism

WHY HAS THE SLO BECOME SO IMPORTANT?

- Crowded World –
 - Always in some-ones ‘backyard’
 - Age of Communications –
 - Instant Access to (Dis)Information, Sharing, Organization
 - Emergence of the ‘Risk Society’ (*Beck, Gittins*) -
 - New Fears, New Risks
 - Skepticism of ‘Experts’ and ‘Politicians’
 - Search for Credibility (*Bricker & Greenspoon*) –
 - Who to believe, who to TRUST (‘Trustmarks’)
 - Rise of Stakeholder Power –
 - Decide, Organize and Act
- 

WHAT IT IS NOT!

- Granted by government/authorities
- Given in writing
- Permanent
- Based on a single task, transaction, test or event
- Available for a 'Fee'
- Transferable
- The same in every case
- FPIC
- Sustainable Development



CONSEQUENCES OF NO SLO

- Lost access to land
- Lost time
- Increased costs
- Loss of life
- Loss of projects/mines
- Companies decimated/destroyed
- Laws changed/imposed



THERE ARE REAL COSTS

Proportion of cases reporting cost type



SLO HAS MARKET VALUE

- **Henisz, W. J., Dorobantu, S., & Narthey, (2014)**
 - Using publically available information for 26 gold mines from 1993-2002, demonstrated that **having a SLO is worth up to 60% of corporate asset valuation** : *Spinning Gold: The Financial Returns to External Stakeholder Engagement*. Strategic Management Journal (2014)
- **Credit Suisse (2012)**
 - Australian mining & hydrocarbon **stocks valued 2.2% below fair value** (AUS\$8.4 billion loss) owing to ‘environmental, social & governance risk’
 - AGL Energy (Australia) **lost 74% of its value** when analysts discovered stakeholder conflict

THE CONSEQUENCES OF CONFLICT AT ESQUEL

Community wanted

- dialog
- to be informed
- to feel listened-to
- evidence that company is responsive to concerns
- A partnership in development
Something the company never offered

Referendum YES 18% - NO 81%



- Meridian write down US\$542.8 million
- Company weakened and stigmatized – subsequent takeover by Yamana
- Province of Chubut passes laws banning open pit mining and use of cyanide in mineral processing

SLO IN INTERNATIONAL LAW

Bear Creek Mining v Republic of Peru

Claim – US\$522.0 million

Award – US\$18.0 million

South American Silver v Plurinational State of Bolivia

Claim – US\$385.7 million

Award - US\$18.0 million



RELATIONSHIP TO LEGAL AND POLITICAL LICENSE

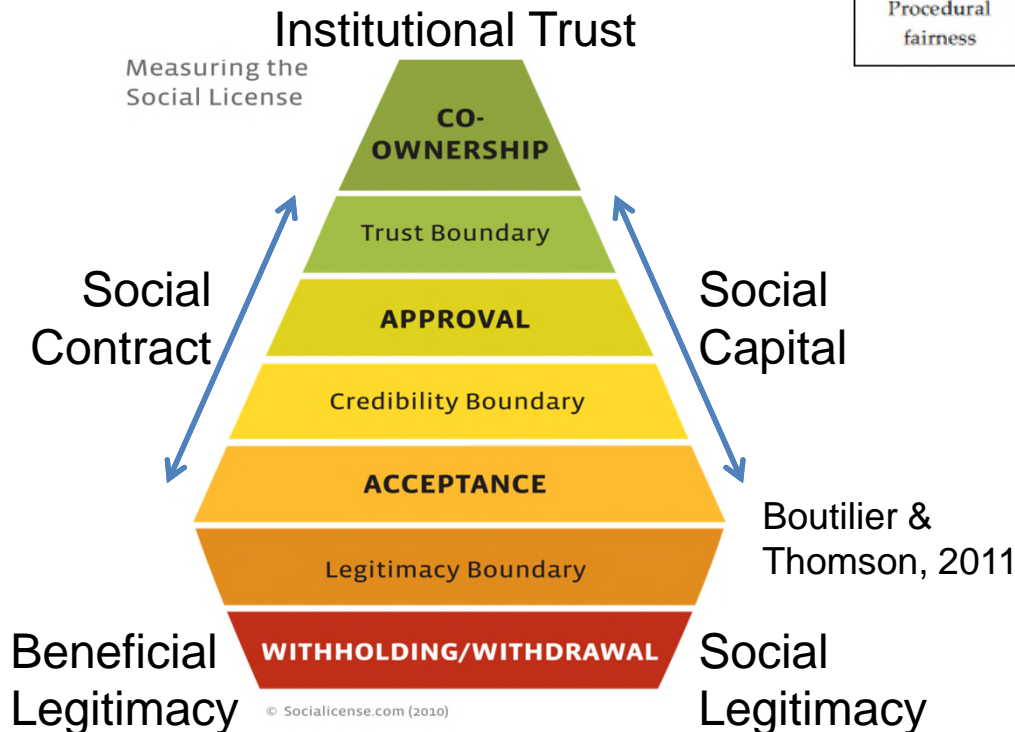
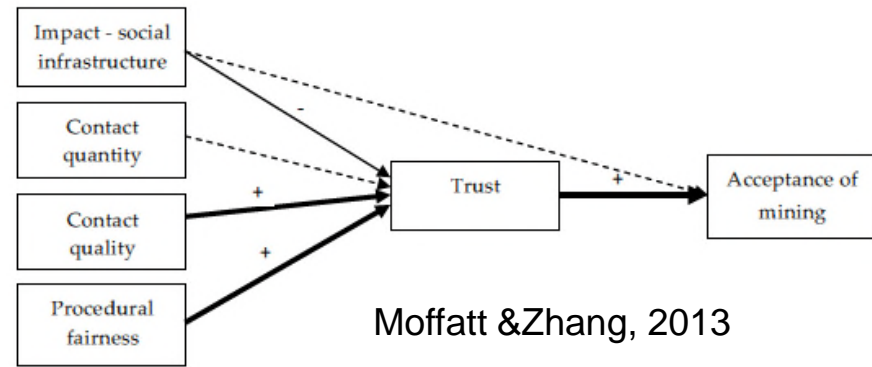
- SLO fills governance gaps, caused by ...
 - Remote operations beyond ‘reach of the state’
 - Jurisdictional disputes, sub-national and international
 - Novel (unregulated) industries, technologies, markets, etc.
- SLO as political homework for companies
 - Don’t expect government to give or ‘enforce’ a legal licence without popular political support for the project
- SLO can become part of legal licence
 - Canadian Supreme Court & Impact and Benefit Agreements in Federal jurisdictions
 - Peru requires evidence of ongoing community acceptance (SLO) before issuing permits
- SLO not needed by dictatorships
 - Legitimacy comes from a gun

HOW DOES IT WORK?



WHAT WE KNOW ABOUT SOCIAL ACCEPTANCE

Independent studies from
Canada and Australia



It is the quality of the relationship that really matters!

DRIVERS TO STAKEHOLDER THOUGHT PROCESSES

An Series of ETHICAL Dilemmas Over:

WHAT IS GOOD vs WHAT IS RIGHT

Values vs Wants

Issues vs Interests

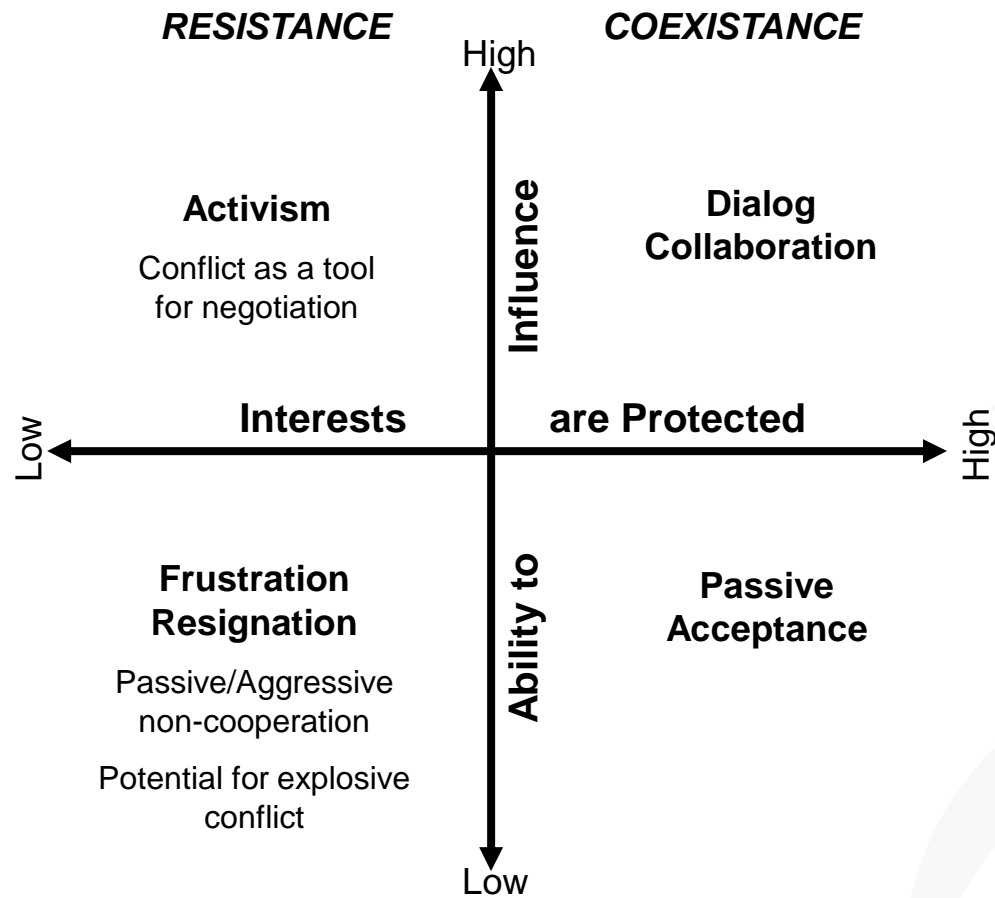
Self vs Group

WHAT IS 'JUST or FAIR' (SOCIAL JUSTICE)

Distributive vs Procedural



LEARNING FROM CONFLICT



ENGAGEMENT

A process of contact, dialog and interaction that ensures that all stakeholders are properly informed and participate in the decisions that affect their future in a manner that is satisfactory to them.

SPECTRUM OF PUBLIC PARTICIPATION

INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
<p><i>Goal:</i> Give the public the balanced information to help them understand the problems, alternatives and solutions.</p> <p><i>Promise to the public:</i> We will keep you informed.</p> <p><i>Examples of tools:</i></p> <ul style="list-style-type: none"> ➤ Brochures ➤ Web-sites ➤ Open doors 	<p><i>Goal:</i> Obtain feedback from the public on the analysis, alternatives and decision.</p> <p><i>Promise to the public:</i> We will keep you informed, listen to you and give feedback on how the suggestions influenced the decision.</p> <p><i>Examples of tools:</i></p> <ul style="list-style-type: none"> ➤ Public commentaries ➤ Focus groups ➤ Surveys ➤ Public meetings 	<p><i>Goal:</i> Work directly with the public on the process to ensure the concerns of the public will be understood and considered.</p> <p><i>Promise to the public:</i> We will work with you to ensure your preoccupations and concerns are directly reflected in the alternatives developed and give feedback on how suggestions influence the decision.</p> <p><i>Examples of tools:</i></p> <ul style="list-style-type: none"> ➤ Workshops ➤ Opinion polls 	<p><i>Goal:</i> Work with the public on every aspect of the decision, including the development of alternatives and identification of preferred solutions.</p> <p><i>Promise to the public:</i> We will look to you for direct advice and innovative solutions to incorporate within final decisions.</p> <p><i>Examples of tools:</i></p> <ul style="list-style-type: none"> ➤ Consultative committees ➤ Constructing consensus ➤ Participatory decisions 	<p><i>Goal:</i> Place the final decision in the hands of the public.</p> <p><i>Promise to the public:</i> We will implement what you decide.</p> <p><i>Examples of tools:</i></p> <ul style="list-style-type: none"> ➤ Juried votes for citizens ➤ Ballots ➤ Delegated decisions

THE SLO DOES NOT OPERATE IN ISOLATION

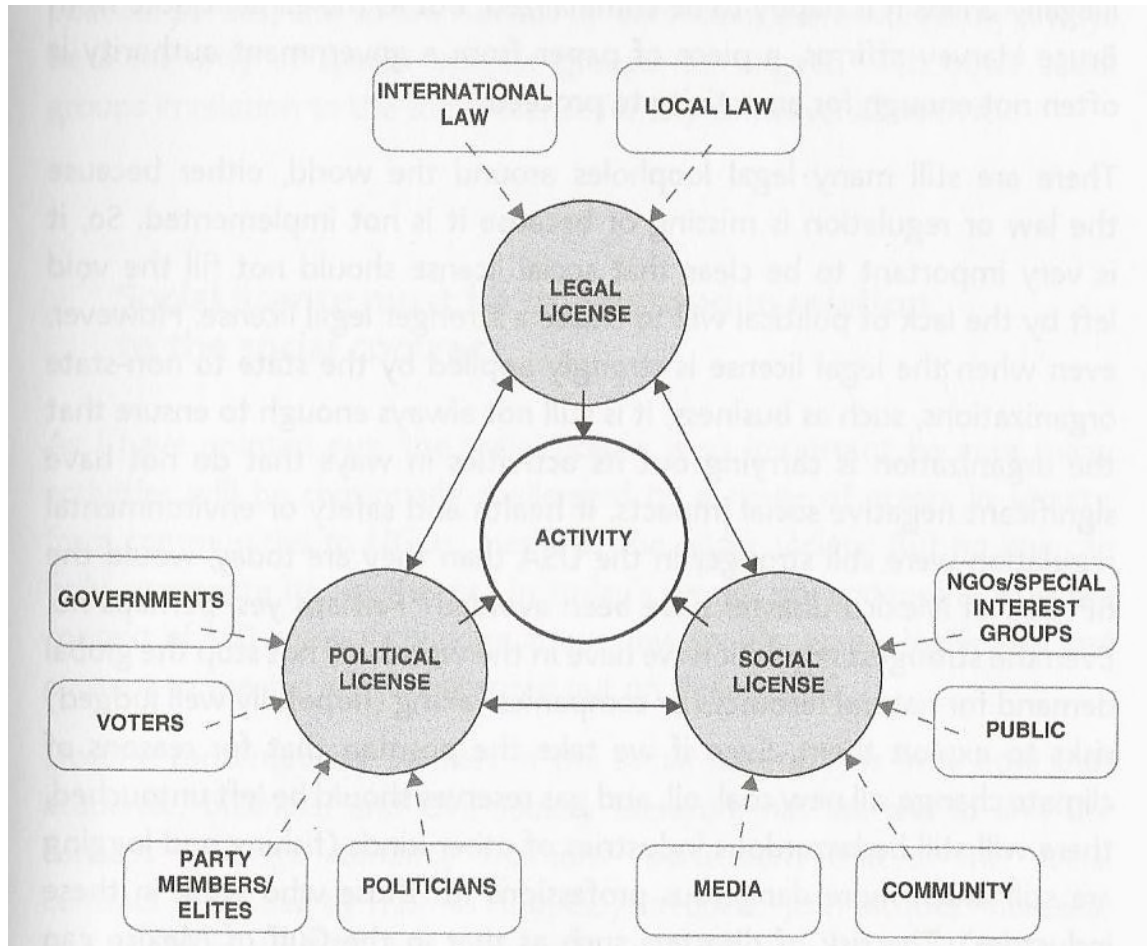


FIG 2.2 Political, legal, and social license

From Morrison, 2014


**THE SLO IS A GENUINE MEASURABLE SOCIAL
PHENOMENON**



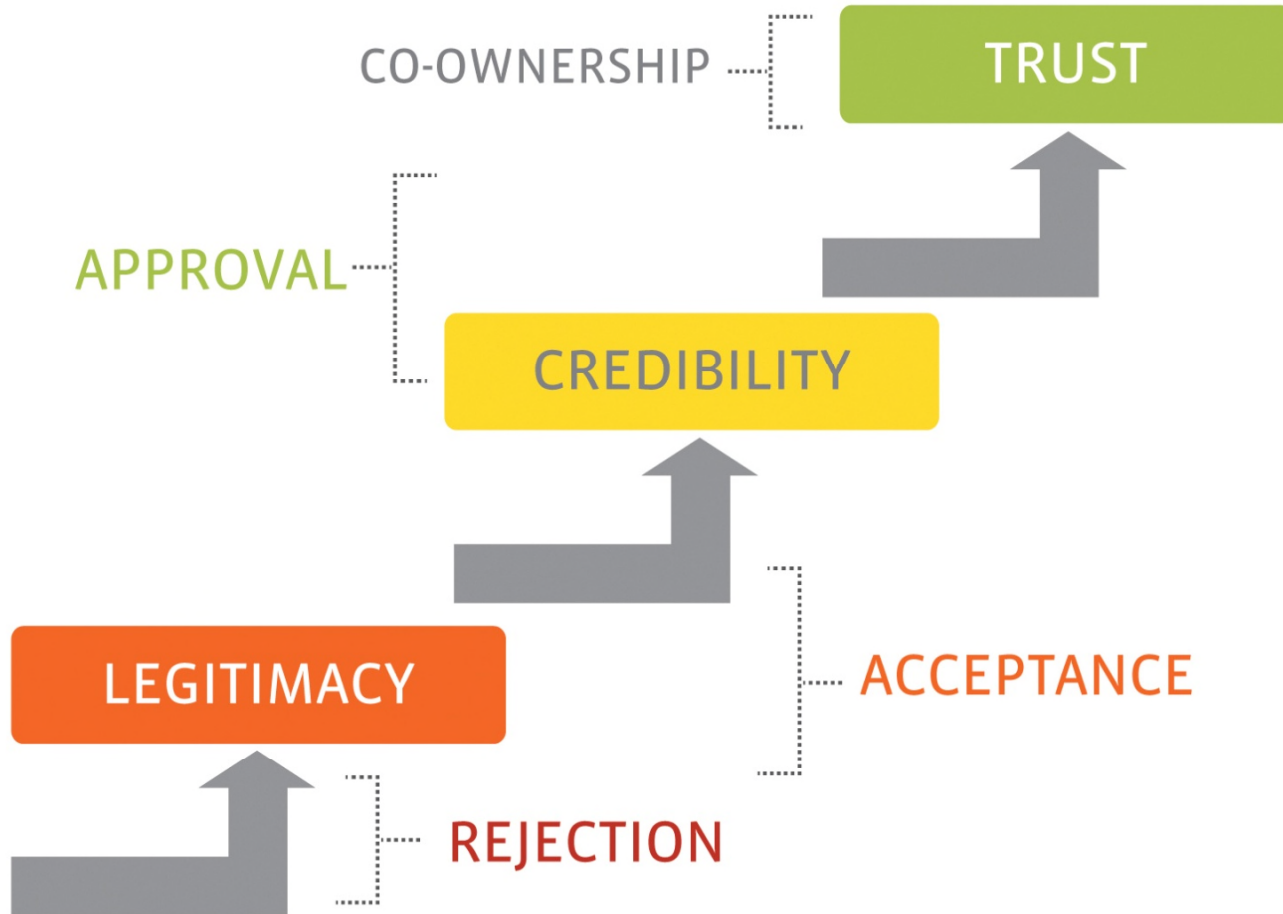
STAKEHOLDERS

Stakeholders are those (groups, organizations, individuals) who can affect the focal organization (e.g., the mining company) or those (groups, organizations, individuals) who can be affected by it.

Freeman, 1984



GAINING A SOCIAL LICENSE



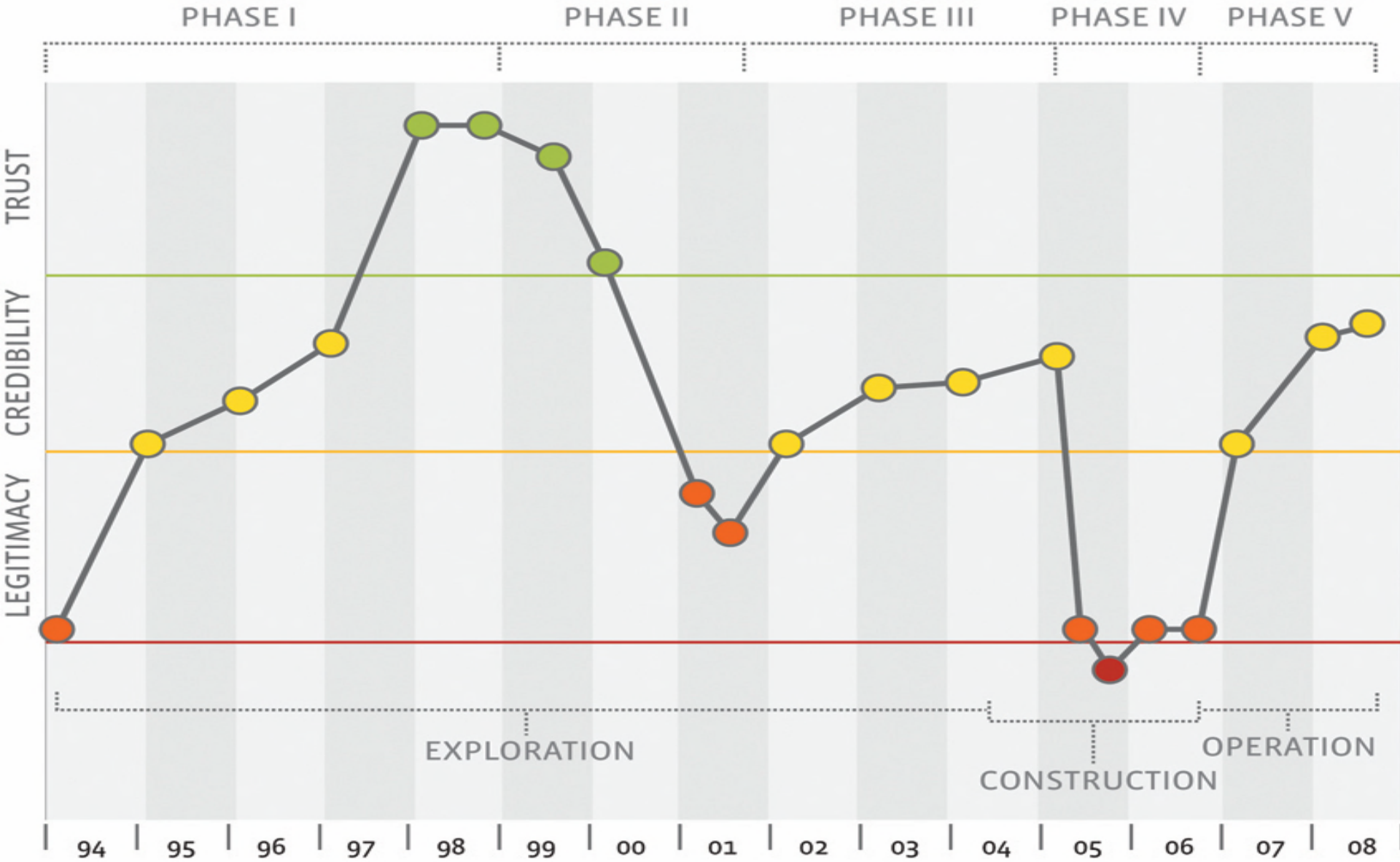
MINERA SAN CRISTOBAL – a case study in SLO



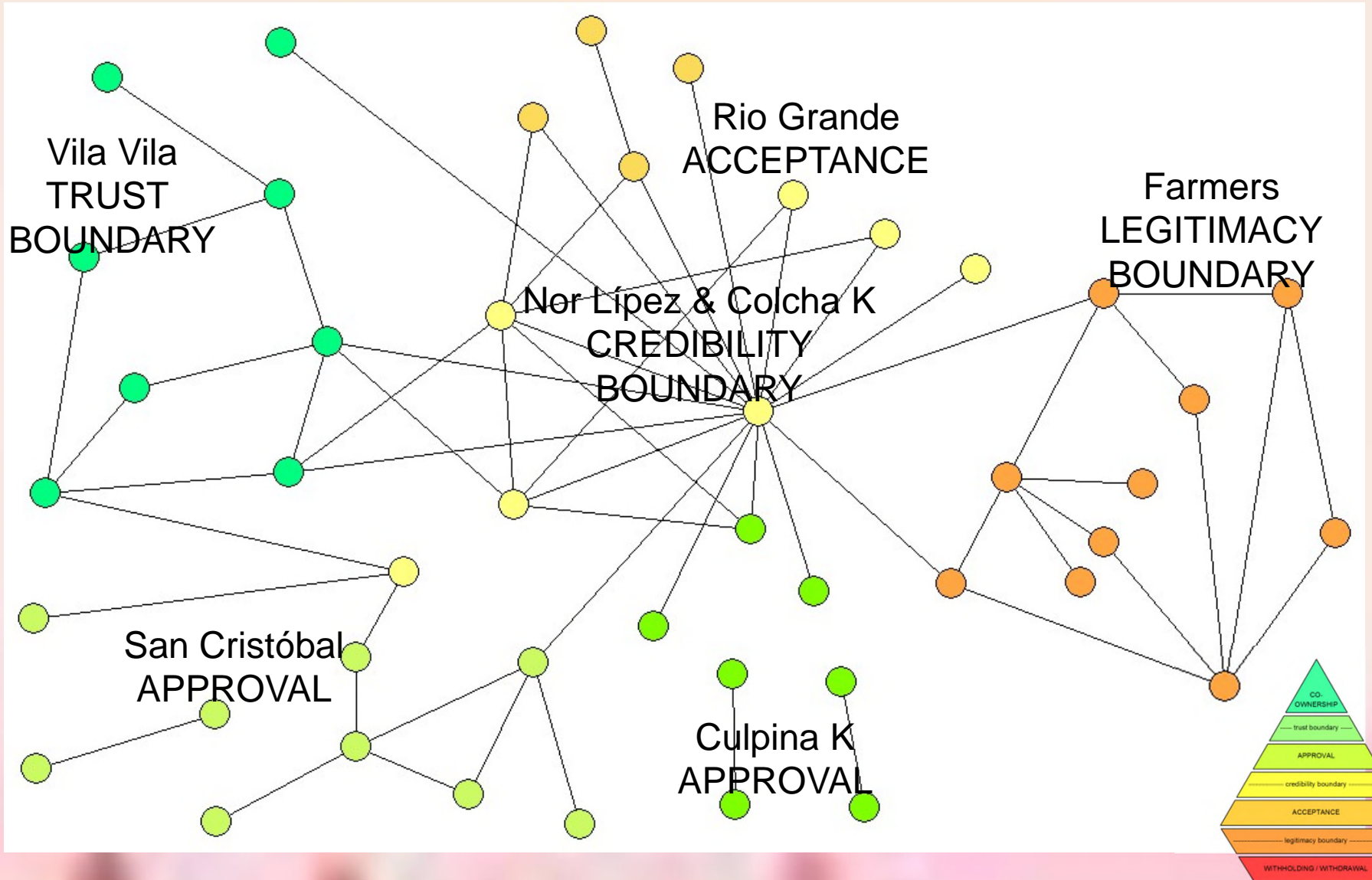
The San Cristobal Silver/Lead/Zinc Mine in central Bolivia

Evolution of the Social License

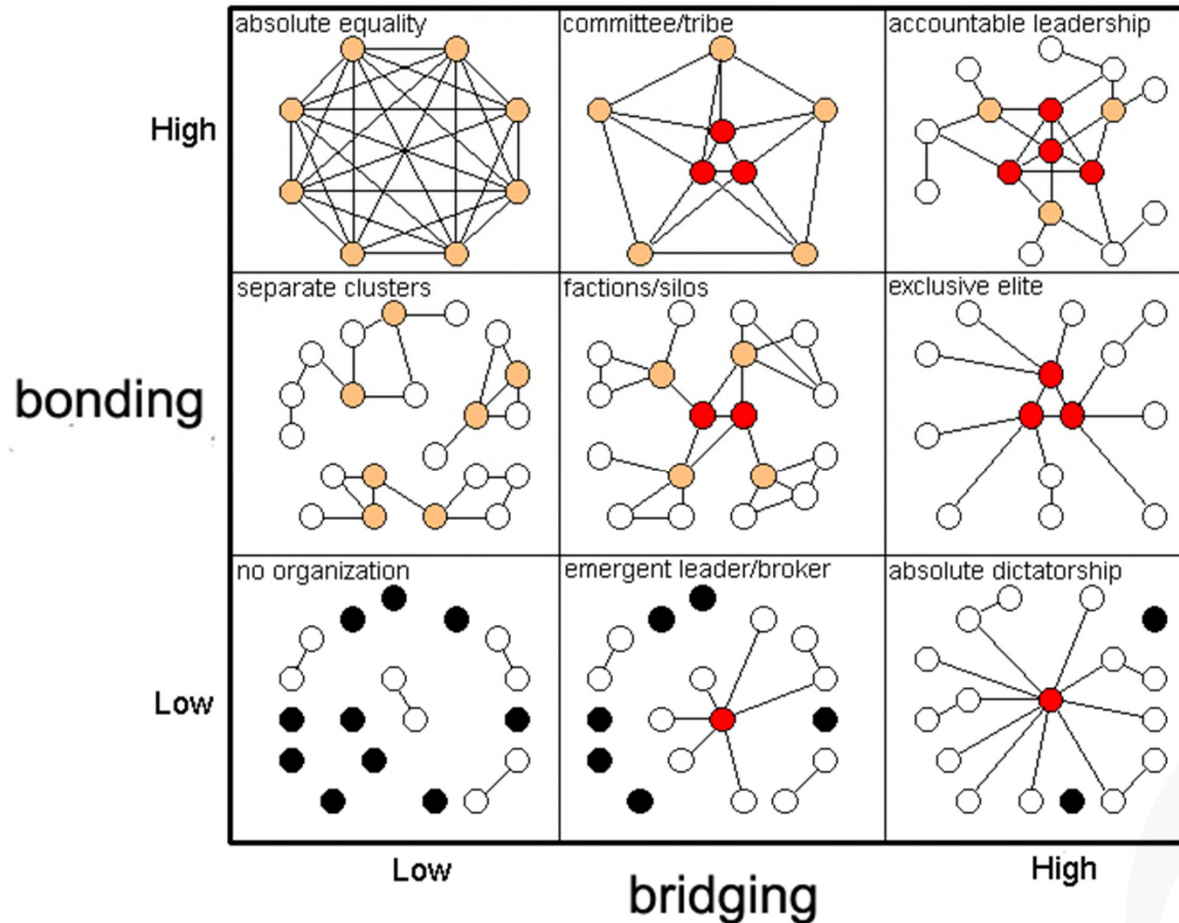
Minera San Cristobal



THE SLO IS GRANTED BY NETWORKS

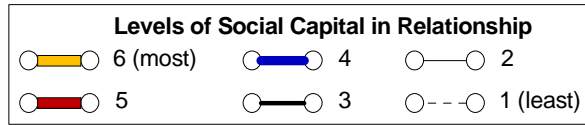


TEMPLATES DESCRIBE THE CHALLENGE

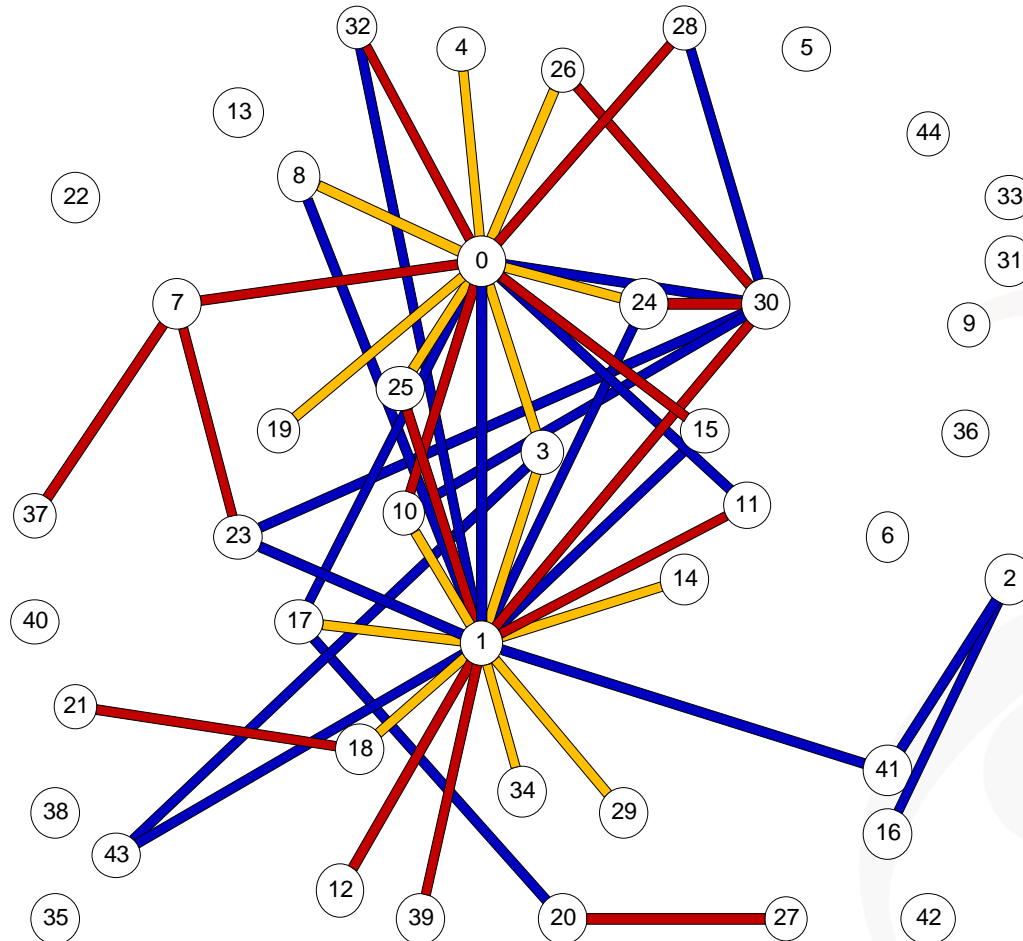


Modified from Boutilier, 2009

San Marcos – Sociogram levels 4 - 6



divisor = 2.3



PERSISTENT PATTERNS

- Operating mine: Relatively stable, SLO reflects accumulated experience.
- Exploration: SLO may be conditional pending confirmation: can be conditional positive or conditional negative, SLO reflects expectations & experiences
- Construction: SLO very unstable
- SLO most vulnerable at times of change of project management/ownership
- Local companies gain SLO more easily than non-local

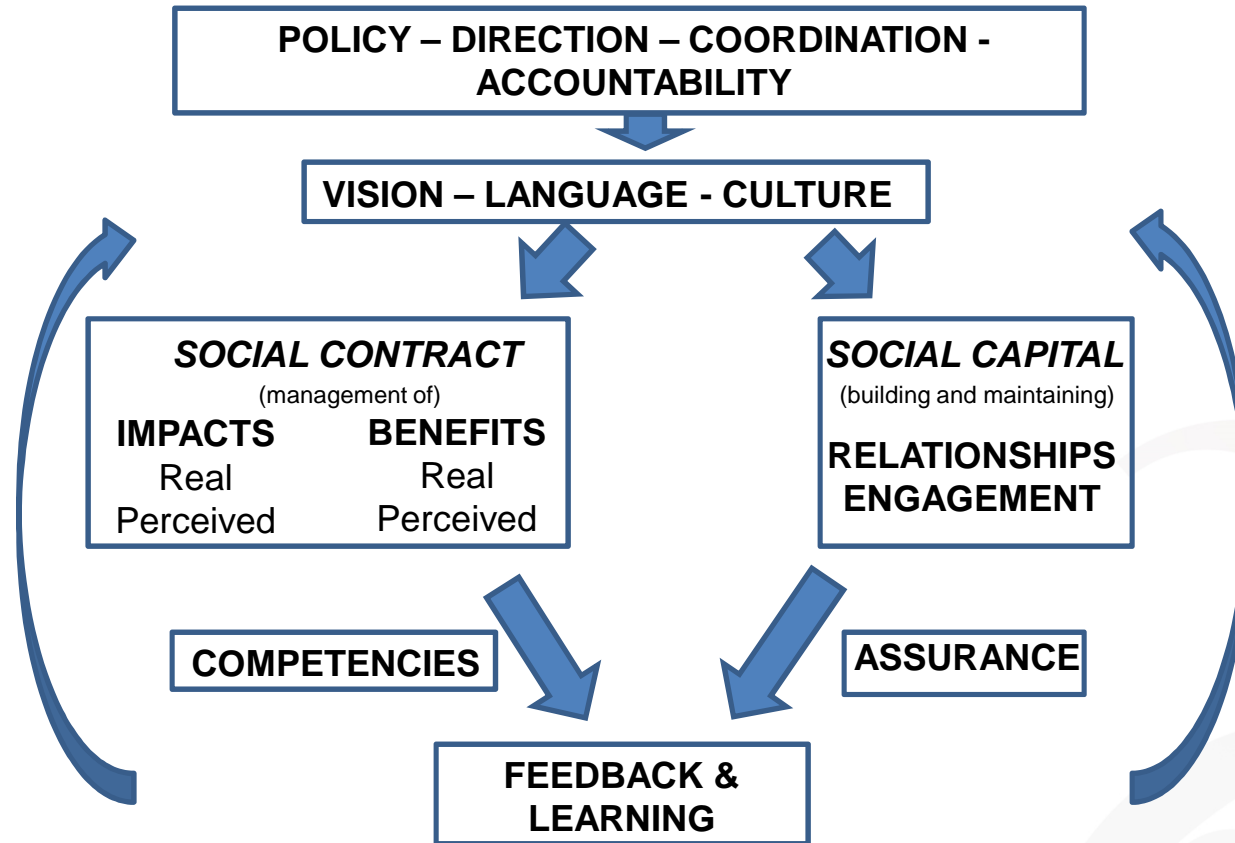
MAKING IT WORK



THROUGH THE LENSE OF SLO

- Quality of Engagement
 - Timing, Form, Effectiveness?
 - Fundamentals – Respect/Inclusion
 - But what else is important? – (Cultural aspects?)
- Who is Credible? – How do you become Credible?
 - Why is legal compliance not ‘good enough’?
 - What else builds credibility?
- Risks/Benefits – is it Just/Fair/Equitable?
 - What is the ‘right’ Social Contract with a community?
- The Social Contract for Mining as an Industry?
 - What is the ‘new deal’ going to be?

A SOCIAL MANAGEMENT SYSTEM



Elements of an Integrated
Social &/or Environmental
Management System

Modified from Zandvliet, 2014
and Thomson & Boutilier, 2011

CHALLENGES



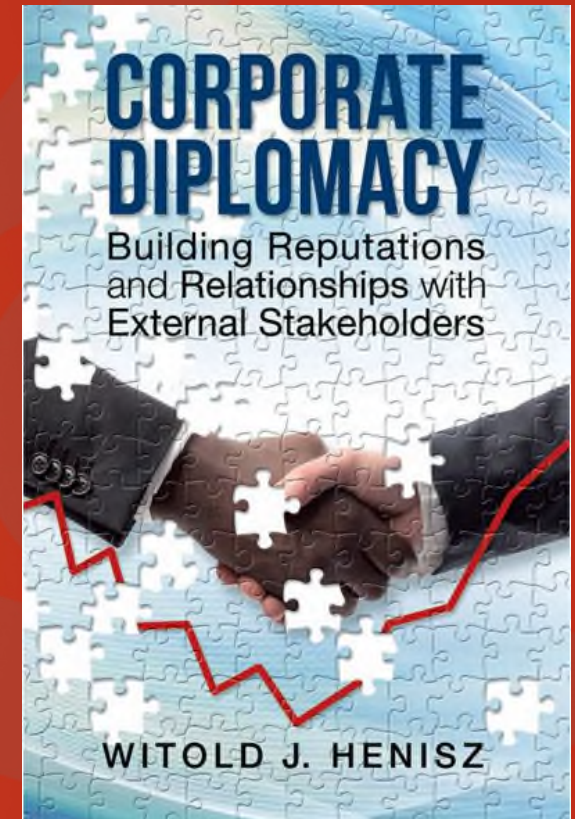
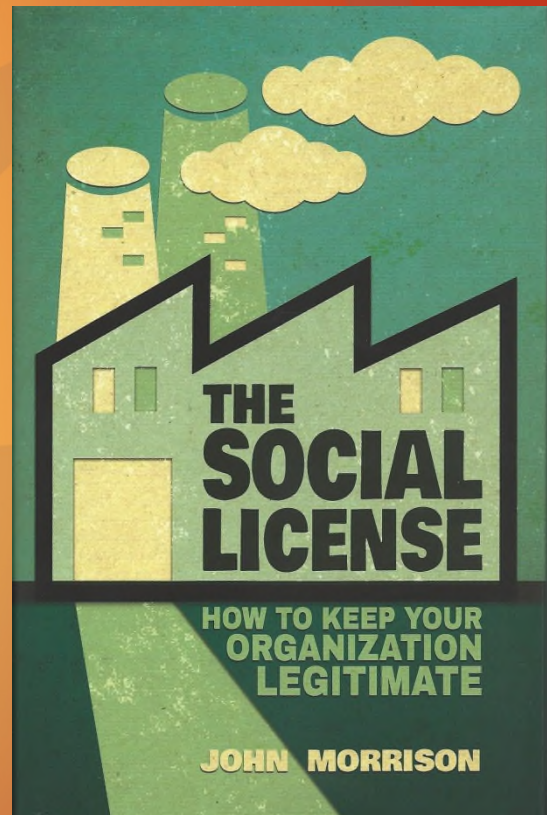
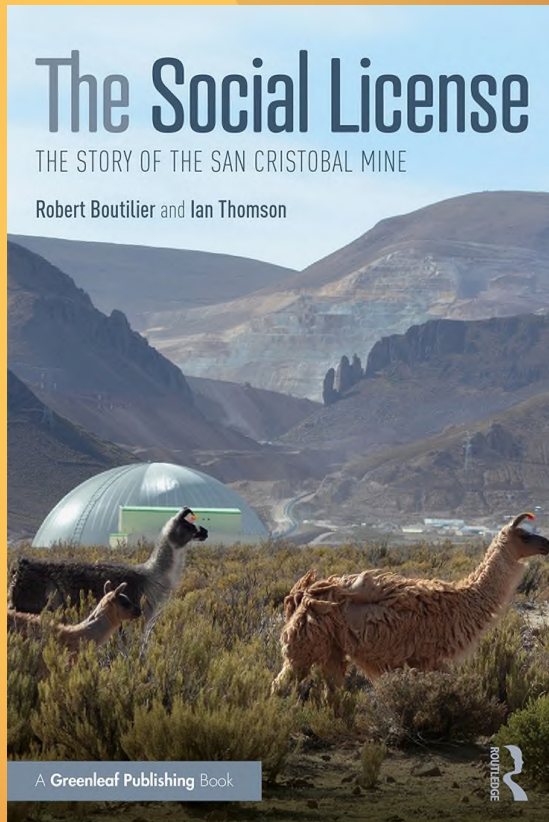
HOW THINGS PLAY-OUT UNDER DIFFERENT POLITICAL SCENARIOS

	Sector with most ability to control the discourse/narrative		
Actor behaviour	Private	Civic	Public
Quality of SL enacted	Sham social licence is self-granted by company.	Granted or withheld by stakeholders by virtue of their veto power.	Government views social licence as superfluous to the legal licence.
Company behaviour	Goes through the motions of community consultation, then does as it likes.	Attempts either to forestall a veto through building mutual trust and collaboration, or to rely on government to enforce the legal licence.	Complies with legal requirements, seldom more.
Civic sector stakeholders' behaviour	Raises objections but ends up frustrated.	Either blocks the project physically or produces a list of demands and conditions.	Does nothing, either because they trust the regulator, or they mistrust the dictator.
Government behaviour	Facilitates the project if requested by the company (e.g., granting permits, removing protestors or blockades).	May set up processes like referenda to legitimize suspending regulatory process in order to do the will of the civic sector.	Strictly enforces its own regulations on the company. Either suppresses the civic sector or takes full account of its concerns.

How the Metaphor has moved and morphed with use and user

- Lawyers
 - Who try to show that the SLO is illegal – destabilizing governance structures
 - Who want to legalize/legislate ‘good behaviour’
- Civil Society – that invokes SLO to try and force change on corporate cultures
- Oil and Gas companies - that deny SLO exists and call the term ‘designed to stall economic progress’
- Political posturing – where the SLO is used to force agendas and denigrate opponents

Further Reading



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www.shinglespit.com



*Better Performance – Better Relationships
Better Outcomes*