



SOCIAL LICENCE TO OPERATE IN MINING

Current trends & toolkit

Social licence to operate, or simply social licence, is the acceptance of a mine or mining company by its employees, by its community stakeholders and by the general public. The extended stakeholder network that adjudicates on social licence also includes ethical investment funds, international human rights activists, international financial institutions and local and national governments. These key stakeholders are demanding stronger engagement and transparency — so much so that social licence will soon be akin to a mining licence, without which mining companies will find it impossible to operate.

There is no question that investment in mining will continue to be needed. Mineral consumption strongly correlates with the economic growth and urbanisation that brings jobs and prosperity to developing countries. To combat climate change, mining is needed for the manufacture of electric vehicles, wind turbines and solar panels. To meet the aspirations of newly affluent middle-class consumers, mining is essential in the making of communications devices, consumer electronics and food production. Social licence is the key to unlocking these positive mining outcomes.

This paper focuses on mid-market mining companies' growing need for social licence amid 21st century demands for transparency and accountability. As resource nationalism intersects with social responsibility, the importance of social licence has never been greater.



SOCIAL LICENCE TO OPERATE

Many activists believe that social licence, now an inviolable principle, had its roots in civil society. In fact, the concept originated within the mining industry in the late 1990s. The term was coined by mining executive Jim Cooney in 1997 when he first asserted that social acceptance is just as important as a legal licence. The first published definition appeared a few years later when social licence was described as "existing when a mineral exploration or mining project is seen as having the approval, the broad acceptance of society to conduct its activities."¹

Globally, there has been a paradigm shift in the mining industry's power structures—from shareholders to informed stakeholders. Miners must now proactively invest time and resources in the satisfaction and security of all stakeholders, leading to mutual value creation and respect. Companies are learning that corporate social responsibility (CSR) for the sake of it is not enough, and the traditional CSR agenda has widened. Social licence addresses the need to integrate rising mega trends, including natural resource depletion, rising demands for transparency in return for funding and global action on climate change.



Social Licence - Acronyms & Definitions

Concept

Definition

Issues

Social Licence to operate

Social licence requires the acceptance of the people who live and work near, or are affected by, a mining project. However, the definition of social licence has widened to include the tacit support of the society as a whole and even the international community.

Social licence is an ongoing process to be maintained prior to, during and post mining operations. It is more about doing the 'right thing' than meeting minimum regulatory compliance. It has become something of an umbrella term covering a variety of social and environmental responsibilities, including supporting indigenous communities, responsible sourcing, and the ethics of sustainable mining.

Corporate Social Responsibility (CSR)

Actions taken by mining companies to either improve the living conditions (economic, social and environmental) of local communities and/or to reduce the negative effects of mining projects. CSR reporting tends to focus on community projects adjacent to the mine, rather than the broader scope of social licence.

Some CSR programmes have failed due to an overemphasis on building structures rather than skills (e.g. schoolhouses or clinics), insufficient local stakeholder participation, unclear objectives, 'giving' rather than 'partnership', a lack of transparency and metrics, and ad hoc response instead of sustainability.

Environmental, Social and Governance (ESG)

ESG refers to the three critical issues in the sustainability and societal impact of a mining project. These criteria help to better determine the future financial performance of companies and projects.

ESG made its first appearance in a report called Who Cares Wins, published by the UN Global Compact (UNGC) in 2000. Finance companies such as MSC Inc have developed a variety of indexes to assess the ESG performance of corporations.

Sustainability Accounting Standards Board (SASB)





The SASB has voluntary guidelines for companies to report sustainability issues that are financially material to investors. In 2018, the SASB published a list of 77 industry-specific standards.

Industry-specific standards span 11 industries, including Extractives & Mineral Processing. Sustainability accounting reflects the governance and management of a company's environmental and social impacts.

MEGA MINING TRENDS

The global shift from fossil fuels to a low carbon future is possible only through the development of green economy minerals. Far from being the villain, the mining industry is part of the solution, and it should reposition itself as such. Like it or not, the demand for minerals will continue to grow as the global economy expands. This is good news for the many emerging countries that rely on the mining industry to drive economic growth and industrial transformation. Alongside growing demand for minerals, the mining industry can expect to be more closely scrutinised by governments, funding agencies and networked civil society for mining's contribution to the living conditions of local communities. Almost certainly, these mining communities will reap a larger share of the economic benefits.

Social Licence Drivers

Trends	Drivers	Social Licence Considerations
 Global Demand	<ul style="list-style-type: none"> • Rising demand from emerging economies • Critical need for green economy minerals • Strategic mineral demand to skyrocket 	<ul style="list-style-type: none"> • Highlighting critical role for mining in slowing climate change is not enough; demonstrated community trust needed
 Mining Industry	<ul style="list-style-type: none"> • Depleting resources • Long-term decline of ore grades • Remote locations 	<ul style="list-style-type: none"> • Cost to explore > cost to acquire • More M&A activity, but with sustainability and social licence strings
 Labour Force	<ul style="list-style-type: none"> • Ageing labour force • Negative perception re sustainability • Mature industry 	<ul style="list-style-type: none"> • Social licence solution for millennials • Focus on digital skills requirements • Exploration is entrepreneurial
 ESG Funding	<ul style="list-style-type: none"> • Sustainability-linked lending taking off • Global ESG funding doubled in 4 years • Stock exchanges require ESG reports 	<ul style="list-style-type: none"> • Sustainable, socially aware funding has uppermost in mining board rooms • ESG is key concern for fund managers



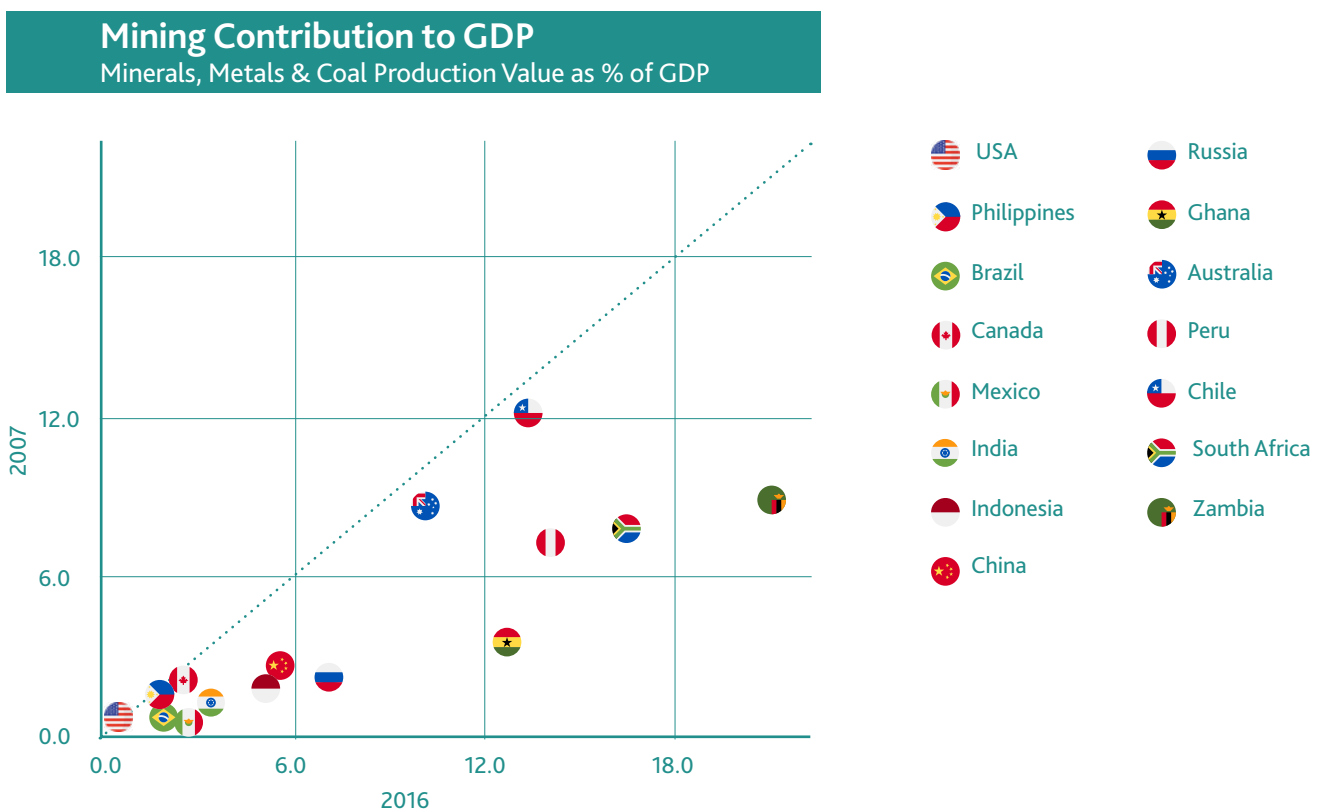
CONTINUED IMPORTANCE OF MINING FOR EMERGING ECONOMIES

Mining impact assessments tend to focus on macroeconomics, the consideration of the benefits or detriments to the overall economy. There is no doubt that mining is an important source of tax revenue and foreign exchange — providing there are adequate legal and budgetary systems in place. Well-managed mineral assets can also be a powerful engine of growth, as has been the case for Chile, Peru, Botswana, Ghana, Mali, Papua New Guinea, among others. Mining generates employment (directly and through a multiplier effect), pays wages and salaries and develops skill sets. The World Gold Council (WGC) evaluated 47 countries that account for 90% of global gold production. In its assessment, WGC found that the gold industry contributed to moving 11 countries out of low-income status while helping 12 countries attain upper-middle or high-income status.

Social licence requires an assessment of the economic and social benefits of mining at the local community level. Studies by the World Bank Mining Department

clearly demonstrate substantial social and economic benefits to local communities. Very much in keeping with the principles of social licence, the World Bank believes the strongest and most sustainable benefits flow from support given to small businesses in the immediate vicinity, including those that supply the mine.

Mining's role in many emerging economies has not diminished. Developing countries dominate the production and export of many important commodities, such as copper (54%) and bauxite (69%)ⁱⁱ. Iron ore, precious metals, lead and many other minerals are produced mainly by emerging economies. The importance of the mining industry for many developed and developing economies has grown over the past decade. In the figure below, all the countries to the right of the dotted line have seen mining's contribution to GDP expand over the past decade (2007-16).



Source: ICMM Mining Contribution Index (<http://data.icmm.com/>), Intercedent Asia
Note: production value includes coal, excluding O&G

RISE OF THE GREEN ECONOMY

The green economy is a response to multiple converging crises, including global warming, food insecurity, and economic stagnation. The new green economy paradigm promises stronger economic growth while at the same time mitigating the strain of rising consumer demand. The global population is projected to increase by two billion people within the next 30 yearsⁱⁱⁱ. The vast majority of them will live in the developing countries of Africa, Asia and South America, where coincidentally most of the world's minerals are mined. Hopefully, most of them will be better off than the previous generation, buying more smartphones and tablets, and driving electric cars. The metals needed to make the rechargeable batteries used in these devices and vehicles, as well as the green infrastructure needed to generate and store the electricity needed to run them, include graphite, manganese, vanadium, nickel, cobalt, copper, rare earths, and lithium. Global demand for these strategic minerals is expected to skyrocket, as will demand for copper iron and many others, according to the World Bank.

The World Bank's report on Building Resilience – A Green Growth Framework for Mobilizing Mining Investment, concludes:



The mining industry, which provides input to almost every product and service in the world, is highly relevant to the goal of achieving sustainable development in mineral-rich countries and in the global economy. Besides, environmental sustainability is a critical concern for mining companies, whose growth is increasingly affected by climate change.



The Green Economy's Dependence on Mining

2040 Demand (US\$bn)	Lithium	Nickel	Copper	Aluminium	Neodymium	Cobalt	Graphene	Vanadium	Titanium	Tellurium
Electric vehicle	34	26.5	18.5	26	~16	12.5	6.5		~1	
Grid storage	5	4	2.5	~1	8.5	~1	-0.05	4.5		
Aerospace			-0.01	~1			1.5		-0.5	
Wind energy		~1	1.5		1.25					
Solar panels			2.5	~0.1						-0.4
Electric planes	-0.01	-0.01	-0.01	-0.01	-0.2	<0.01	<0.01			
Total green industry demand as a proportion of 2040 market size										
2040 Market size, US\$bn	52	73	260.5	272	39.5	33	8	8.5	4	0.5

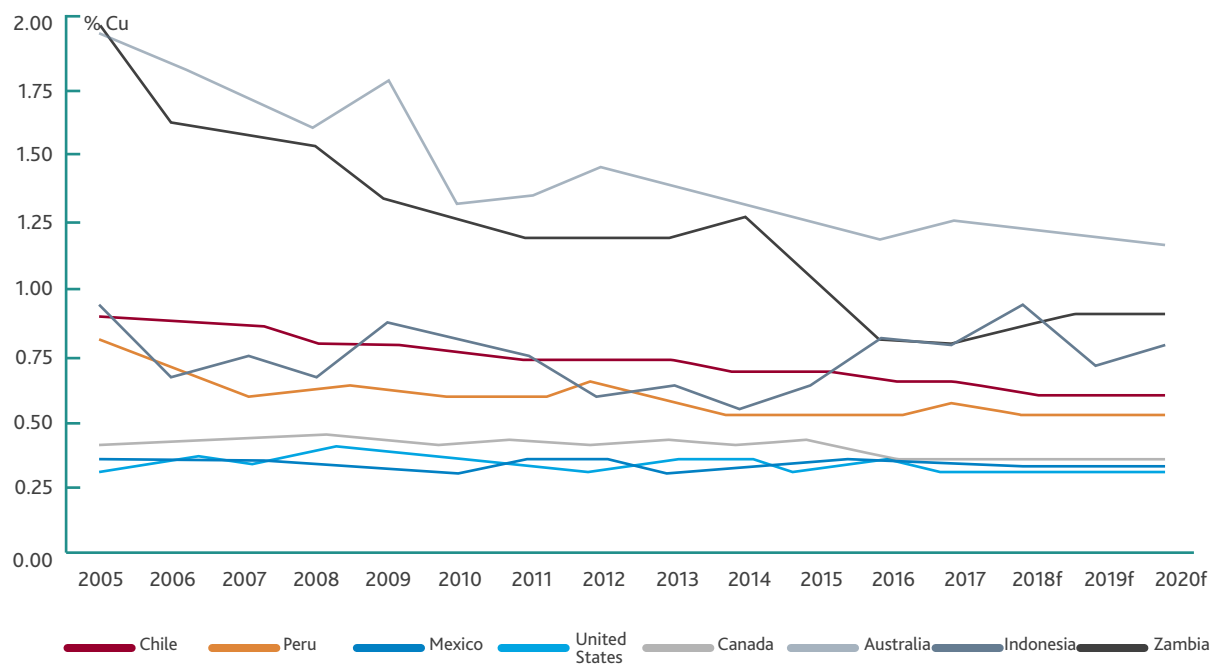
Source: McKinsey, 2020

Note: Demand calculated at 2018 commodity prices

DEPLETING RESOURCES AND THE LONG-TERM DECLINE OF ORE GRADES

The richness of ores ('ore grade') has been in long-term decline for most elements. In 2019, Chile's copper production dropped by 44,000 tonnes^{iv} due to falling ore grades, water scarcity and other operational issues. The practice of high grading, whereby miners extract the richest ores — in order to maintain production levels and earnings — has left behind lower-grade ore.

Average Copper Ore Grades % Cu by Major Producing Countries, 2005-20



Source: AME Group

The cost to explore is now much higher than the cost to acquire, leading to more M&A activity, which will come with sustainability and social licence strings attached. But the problem of lower-grade ores is not only due to the depletion of high-grade deposits. It also reflects the dilution of ore grades due to improvements in metallurgical technologies, changing previously sub-economic mineral concentrations into commercially viable ores. Other factors are the adoption of high-volume, lower-cost extraction technologies, and a preference for extending the life of older mines over finding and establishing new mines — the latter in part due to the difficulty in obtaining social licence.

GLOBAL ACTION ON CLIMATE CHANGE

Greenhouse gas (GHG) emissions are rising, accelerating climate change. The adverse effects of a warmer climate include rising sea levels and calamitous weather events that threaten nations' food security, access to water, and biodiversity. The UN's Sustainable Development Goal #13 (SDG13) calls for rapid action to de-carbonise in line with the 2015 Paris Agreement on climate change. Endorsed by all but a few countries, the pact aims to contain global warming to below 1.5°C, and by doing so limit the damage caused by it.

While jeopardising the future of the planet, climate change also has nearer-term implications for mining companies, making it in their own commercial self-interest to join the fight. Dire predictions of heavy precipitation and flooding, severe drought and prolonged heatwaves, and an increased incidence and severity of bush and forest fires will make mining operations more challenging in many parts of the world:



- Rising sea levels will threaten processing and transportation infrastructure along coastlines.



- Floods will disrupt mining, causing mine closures, washed-out roads, and dangerously saturated tailing dams.



- Climate change is expected to cause more frequent droughts, further disrupting mining operations. (McKinsey has identified water-stress hotspots: central Asia, Chile, Australia, the Middle East, southern Africa, and the western USA.)



- Extreme heat in parts of Australia, China and Africa will sap worker productivity. (Germany's Max Planck Institute predicts summer temperatures in MENA will rise more than twice as fast as the global average.)



- Climate change may stress social cohesion around mine sites and negatively affect local community politics. Control Risks included the political and security implications of climate change among its top five such risks^v.

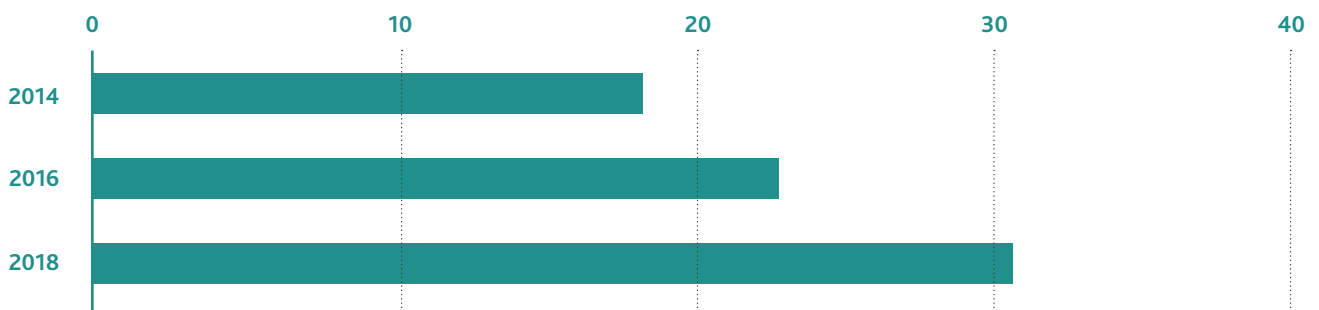
Mining companies will increasingly be called upon to address climate change by directly reducing their carbon footprint and also by encouraging stakeholders to integrate climate change into their planning. While coal is seen as the main GHG villain among extractive industries, non-fossil fuel mineral exploration and extraction companies will also be called upon to do their part. The mining sector can help stakeholder communities adapt to climate change by building community resilience to climate change into social licence programmes. The mining sector is already beginning to embrace renewable energy, helping to keep mining on the right side of the climate debate. As well as lowering GHG emissions, renewable energy solutions can provide additional employment opportunities and reduce operating costs.

What can mining companies do to make a positive contribution to saving the planet? First, work with partner stakeholders to make greater use of renewable energy sources. Solar power can be especially effective for remote mining locations, eliminating the need to build access to the grid or truck in diesel. Companies can also deploy mitigation technologies such as carbon capture and storage such as large-scale tree planting. Finally, mining companies can explore opportunities to enhance energy efficiency and productivity, while minimising environmental impact. As always, mining operations should continuously monitor progress and report results to their local and global stakeholders.

ESG FUNDING

No longer are social licence and community engagement afterthoughts. Sustainable, socially aware funding has reached a tipping point in mining company board rooms. ESG is already a key concern for fund managers facing tighter restrictions on where funds can be deployed. ESG is front of mind for investors looking for verifiable compliance, not statements of intent. Global investment in sustainability reached **US\$30.7 trillion in 2018** (according to the biennial Global Sustainable Investment Review, 2018)^{vi}, a **34%** increase in two years. Most sustainable investment strategies involve negative/exclusionary screening (US\$19.8 trillion) or ESG integration (US\$17.5 trillion).

Global ESG investment has nearly doubled over four years (investment in trillions of dollars)



Source: Global Sustainable Investment Alliance

Multilateral lenders are taking the lead. The International Finance Corporation (IFC) has been increasing its equity investments in Junior mining companies engaged in exploration and early project planning. But its willingness to do so is dependent on miners adopting early stakeholder engagement practices. Stock exchanges have also taken note of the shift to sustainable financing; 24 of the main exchanges now require their listed companies to report on ESG issues.

Stock Exchanges Mandating ESG Reporting

Africa (4)	Namibia, Nigeria, South Africa, Zimbabwe
Asia (10)	Hong Kong, India (2 bourses), Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam (2 bourses)
Europe (8)	Austria, Belgium, France, Ireland, Luxembourg, Portugal, Netherlands, United Kingdom
South America (2)	Brazil, Peru

Source: Sustainable Stock Exchange Initiative. Data Extracted 22.2.20.

Sustainability-linked lending is also taking off. Borrowers are rewarded (or penalised) based on their performance against ESG metrics (e.g. carbon emissions). Investors, both big institutional investors and smaller, sustainability-focused ones, love it. Green lending burnishes investors' ESG credentials. And if the issuer misses the sustainability target the interest rate rises, the investor gets a higher return. In the two years to 2019, such issuances rose from virtually nothing to US\$122bn (according to BloombergNEF, an energy consultancy). The single biggest issuer in 2019 was Shell, with US\$10bn in capital linked to its carbon footprint.

COMMERCIAL COSTS AND BENEFITS OF SOCIAL LICENCE

The absence of social licence comes with a variety of risks and costs—both direct and indirect. The risks of project derailment are well understood, as is the importance of reputation from a funding perspective. Less obvious is the future risk associated with an ageing industry workforce and mining's lack of appeal to millennials.

FINANCIAL RISK

Mining is a high-risk endeavour. It can take decades to recoup the initial investment from a geographically fixed asset, one that cannot be relocated should the business environment turn sour. The nature of the risks associated with such long-term investments makes social license imperative. Mining companies need early and sustained stakeholder engagement strategies to ensure long-term commercial viability, shielding mines from the risk of shutdown or disruption due to stakeholder actions.

Community stakeholders typically have the power to halt a project or allow it to proceed. They can influence policymakers and lobby regulators to change compliance requirements. In this context, social license is an essential risk management tool. The failure to obtain and maintain social licence invariably results in conflict, project delay, and unplanned cost. From a risk-avoidance perspective, early forethought and strategic social licence planning can help manage stakeholder expectations and avoid disagreement and delay. Litigation against mining companies is on the rise, including retroactive action for past damages. The importance of mitigating financial risk will almost certainly increase over time.

REPUTATION AND COMMUNICATIONS

The Internet has had an enormous impact on branding and communication in the mining sector. Negative experiences are instantly reported and circulated; positive outcomes are less newsworthy. The communications revolution has also produced a convergence of global values around a sense of shared environmental concern. A well-communicated social licence can substantively enhance company branding to shareholders, investors and potential buyers too. As competition for natural resources increases, investors and regulators increasingly consider ESG credentials when granting exploration concessions. A solid reputation in this regard can also assist mining companies to successfully compete for the next venture and raise capital.

This new level of scrutiny extends to community engagement and social licence. The Responsible Mining Foundation Index rates leading mining companies' interactions with mining-affected communities and community stakeholder groups. Factors include systematic approaches to developing local entrepreneurship and innovative efforts to support local suppliers as well as meaningful engagement with local stakeholder groups including women, Indigenous Peoples, and artisanal miners. Local cultural practices notwithstanding, investors will want to know that a gender-responsive approach is in place, one that provides equal job opportunities for men and women and equal access to health care, education, and infrastructure (e.g. clean water). The rights of indigenous peoples have become a global social issue involving delicate trade-offs between preserving indigenous ways of life and cultural/spiritual sites and the desire by the same communities for prosperity through economic autonomy. This issue has been particularly intractable in Canada, Australia, parts of Africa and among the artisanal miners of Peru.

Community Wellbeing Rankings

The Responsible Mining Foundation Index, Top 10 in 2018



Source: Responsible Mining Index (2018), The Responsible Mining Foundation

Systematic assessments of responsible mining have typically focused on larger mining companies. Anglo American, Newmont Mining and Barrick Gold Corp ranked highest for Community Wellbeing in the 2018 Responsible Mining Index. But third-party evaluations will include mid-level mining companies, and even specific mining projects, in the future.

EMPLOYMENT DISADVANTAGE

Millennials want to save the planet — preferably while drinking coffee in Starbucks. Not surprisingly, mining does not appear on their career radars. Young people see mining as a 'sunset' industry dominated by middle-aged managers, lacking the excitement of entrepreneurial endeavour. Millennials do not appreciate that mid-market and junior mining companies can be highly entrepreneurial, start-ups looking for growth funding or seeking to be bought out. They are not aware of the mining industry's urgent need for digital skillsets as it transitions to advanced technologies like AI and machine learning. But perhaps the most damaging perception among

millennials is that mining is intrinsically harmful to the environment. They do not know that the boards of mining companies spend more time thinking about issues around social licence than almost anything else. Few appreciate that without lithium or cobalt, there would be no Teslas, iPhones, laptops, nor many other must-have gadgets.

To meet their digitisation, automation, and innovation goals, mining companies must do a much better job of attracting the attention of the in-demand millennial talent pool. Social licence helps make the argument that mining is a catalyst for a sustainable future.

Millennials' most sought-after jobs, 2019

Millennials want jobs as software engineers or data analysts—office-based occupations that are increasingly commonplace in the mining sector.



Software engineer



Product manager



Data analyst



Financial analyst



Data scientist



Graphic designer



Business analyst



Software developer



Administrative assistant



Project manager

Note: Millennials born between 1980 and 1996 and based in the US
Source: Glassdoor Inc.

A background image showing the silhouettes of a group of people standing and interacting against a bright, orange-hued sunset sky. The figures are dark against the light background, creating a sense of community and shared experience.

THE COST: INVESTMENT IN PEOPLE, PARTNERSHIPS AND PLATFORMS

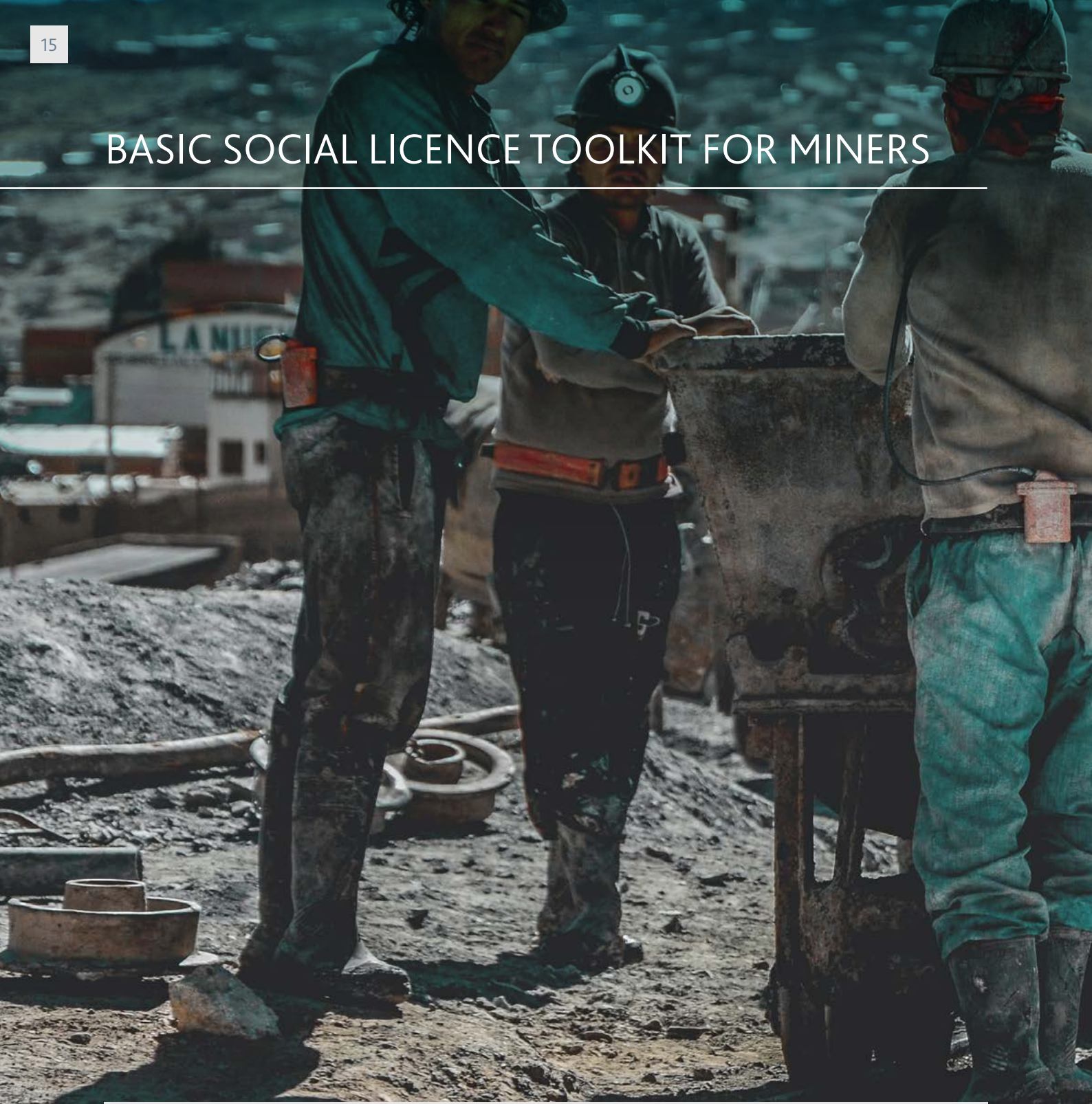
Building a strong social licence and a sense of shared values among stakeholders requires time, commitment and money. Time and commitment are always at a premium. Mid-sized mining companies have far fewer staff and considerably less in the way of resources than the mining heavyweights. Key personnel such as the exploration geologist can be overburdened with multiple roles, such as team leader, camp manager, liaison officer, and local HR/recruitment manager. Counter-intuitively, in developing countries not having a big complement of expatriate staff may work to mid-sized mining companies' advantage. Smaller companies tend to employ more local staff, people who generally have a better understanding of the business landscape, including culture, language, customs, and regulations.

Social licence requires dedication to cultural change and the acceptance of a period of lower profitability as companies and projects transition to sustainable practices and processes. Civil society and local communities are not going to wait for the transition to be cost effective, and the necessary disruption may mean a different profit horizon for transitioning companies.

Integration into digital transition

Industry 4.0, or in other words automation, digitisation and the use of new materials, is mining's pathway to digital transformation and gains in cost containment, productivity, quality, and profit. Digital solutions can also support the attainment of social licence, providing the tools for registering and monitoring social licence as well as the necessary changes in mindset and empathy. Digital communications platforms, including communications that fit in the palm of the hand, are extremely useful as is establishing an online presence — especially at the asset level. Digital technologies have tremendous potential to deliver stakeholder and environmental value, on top of operating efficiencies, directly contributing to social licence. One aspect that's too often overlooked is the role of people in digital transition — the need to bring them with you. (vii)

BASIC SOCIAL LICENCE TOOLKIT FOR MINERS



There are several different approaches to designing, implementing and maintaining social licence programmes. All of them focus on stakeholder perceptions of the relationship rather than checklist assessments of mining outcomes. The latter ESG metric approach is more appropriate (but not sufficient) where the local government has legitimacy and rule of law is strong. However, in many developing countries — where most mining projects are located — the reach and reputation of the state can be tenuous, especially

in more remote areas. The absence of trust in local government means that the full burden of trust falls directly on the mining company. Social licence then becomes the governance mechanism, governance which will include oversight from distant actors, including the investors without whom the mine would not be developed. In addition to responsible mining practices, these arbiters of social licence will want to see the traceability of a product's origin, from manufacture right to the source of its component minerals.

1 STAKEHOLDER PERCEPTION SURVEYS

This quantitative approach can be time consuming, but yields statistical results that are amenable to third-party assessments. However, the structured top-down survey approach may not allow for a full understanding of the local stakeholders. Stakeholder perception surveys provide less scope for joint learning, reducing the likelihood of stakeholder buy-in.

Sample survey questions

For mining projects under construction or in operation

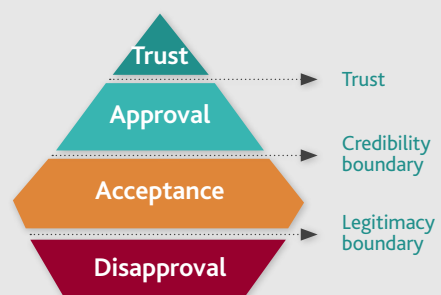
1. Our community/organisation believes that mining would be a positive direction for the future.
2. As of now, the proposed project has met its commitments to our community/organisation.
3. We believe that project management will inform us about things that could affect our community/organisation.
4. We are satisfied with the relationship we have with the proposed project.
5. Our community/organisation and the management of the proposed project have a similar vision for the future of this region/state/country.
6. Our community/organisation believes that a mine would bring more benefits than problems for us.
7. Our community/organisation wants mining in this region.
8. The management of the proposed project is concerned about the interests of our community/organisation.
9. We in our community/organisation believe what the management of the proposed project tell us.
10. The management of the proposed project respects our way of life/doing things.
11. Our community/organisation sees mineral exploration as a valuable part of the regional economy.
12. Our community/organisation needs the collaboration of the proposed project in order to reach our most important goals.
13. We believe that the management of the proposed project will treat everyone fairly.
14. The proposed project listens to our community/organisation.
15. Our community/organisation and the management of the proposed project have a mutually beneficial working relationship.

Source: Robert Boutilier, Measure of the Social License to Operate for Infrastructure and Extractive Projects.

Community stakeholders are pivotal to social licence; they grant the social licence and have the power to revoke. If these stakeholders feel that their demands and expectations are not being met, they can withdraw the social licence at any time. The knowledge and empathy gleaned from the stakeholder perception survey should help move the social licence from 'acceptance', through 'approval' to 'trust' and an enduring mutual regard for both the mining company and local community's interests.

In the multilevel pyramid model (see opposite), 'legitimacy' marks the boundary between projects for which social licence to operate has been withheld or withdrawn from those that have been accepted by stakeholders through engagement. Cross the 'credibility' boundary for projects that have been approved by stakeholders through formal negotiation, definition, and agreement on the respective roles and responsibilities of the company and stakeholders. In social licence nirvana, trust is attained along with a sense of co-ownership and collaboration.

Levels of Social Licence



Source: Thomson & Boutilier

2 PARTICIPATORY RURAL APPRAISAL (PRA)

The emphasis of this technique is on fast and early engagement with local communities to facilitate local participation in project planning and implementation. A useful tool to rapidly discern the local attitudes and perceptions of community interest groups, PRA is more often used in the exploration stage of mining projects. This approach can just as effectively be used in urban as in rural settings. The advantages of PRA are that it is quick to organise and probably costs less to implement than a formal stakeholder survey. It also has a more open, and therefore a wider scope. A more informal bottom-up technique, PRA should, in theory, lend itself to stakeholder buy-in and participation.

According to IFCⁱⁱⁱ, PRA is not intended to replace the more rigorous ESG environmental and social impact assessment but can provide relevant information quickly. The technique is not without pitfalls:

- Moving so fast as to become superficial
- Generalising based on too little information or too few informants
- Hierarchical dominance of group discussions
- Being susceptible to myth and gossip
- Value perceptions, rather than fact-based judgments

One interactive PRA tool is a Community Scorecard, used to rate a company's performance and gauge community concerns around social, environmental, safety, and transparency issues.

The Community Scorecard tracks performance in areas of mutual concern for the mining company and the community. This methodology was pioneered by Eagle Mine (acquired by Lundin Mining in 2013) in Michigan's Upper Peninsula. Feedback mechanisms included ratings obtained from community discussions to anonymous comments using handheld devices and apps that make feedback instantaneous. The Community Scorecard is both transparent and responsive^{ix}.



Case Study: Missteps in Zambia

Despite the best intentions

Company	Actions	The stakeholder response
Kansanshi Mining Plc <i>Largest copper mine in Africa</i>	In addition to investment in social services, such as health and education, Kansanshi Mining implemented several sustainable programmes designed to: (a) mitigate the effect of displacement, (b) strengthen employability, entrepreneurship, and agri-based livelihoods, (c) reduce and monitor environmental impacts, and (d) conserve wildlife.	The community's response ranged from ambivalence to outright hostility. The mine created jobs but also attracted job seekers from other towns. Unemployment and drug and alcohol abuse rose in the absence of social programmes to address these issues. Other social services, such as schools, clinics and water and sanitation were inadequate. There was unhappiness about the dust pollution from the mine.
Nonferrous Company Africa Mining Plc (NFC)	China's NFC produces copper ore at the Chambishi mine in Zambia. Many of NFC's endeavours were philanthropic ("give a man a fish") rather than community empowering. Examples of donations: sewing machines, support for the Zambia Table Tennis Association (ZTTA) and donations to golf tournaments.	Despite generous donations, local communities remained dissatisfied. Local stakeholders felt that the mining company's CSR priorities focused too much on politically visible, urban projects — ones that did little to prevent or mitigate the pollution and environmental damage caused by the mine.

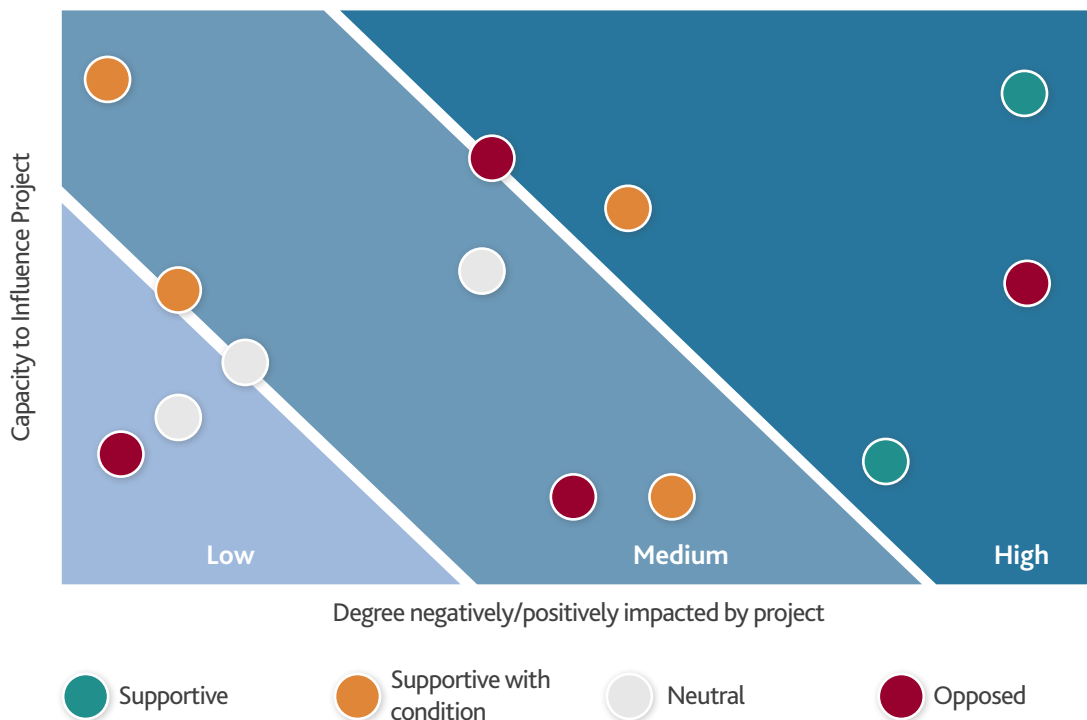
Extracted from: "Approaches to Supporting Local and Community Development: the View from Zambia", Angel Mondoloka

3 COMMUNITY STAKEHOLDER PRIORITISATION

Stakeholders include any persons that may be affected by the mining operation, or that can have a negative (or positive) impact on the mine's operations. Once the stakeholder landscape is defined, individuals and groups are rated by how much they are affected by the project, as well as their capacity to influence it. The diagram below can be used to map stakeholders according to the degree to which they are impacted by the project (positively or negatively on horizontal access) and the level of influence they have over the project's operation (vertical axis).

Stakeholder Prioritization							
Stakeholder	Affiliation	Impact by Project			Influence over Project		
		High	Med	Low	High	Med	Low
Landowner	Village XYZ, farmers	✓					✓
Town official	Government			✓	✓		






Stakeholder Prioritisation Mapping



Interviews with a stakeholder group spokesperson should include questions about the group's relations with other stakeholders or stakeholder groups. In this way, a matrix of relationships is generated which can then be viewed in a social network chart highlighting the central stakeholder or stakeholders with the most influence. Companies could then choose to focus on these highly networked stakeholders, important influencers, or even marginal groups.

Another layer of analysis can be added by rating stakeholders according to two additional attributes: the urgency of the potential impact on them and their legitimacy. This step should help to keep the number of stakeholders manageable by eliminating those stakeholders who do not think their impact is significant. Mining companies naturally want to minimise the number of voices to whom they must listen, and with whom they must interact.

Key questions and points to consider include:

-  What type of power relationships exist between stakeholders/stakeholder groups?
-  What are the key interests of each stakeholder group?
-  What type of engagement approach is most appropriate for each stakeholder group?
-  What level of engagement is required for each stakeholder group (inform, consult, involve)?
-  How does the stakeholder engagement strategy maintain supportive stakeholders and address the concerns of less supportive stakeholders, or those who are opposed to the project?

It is important to keep in mind that the stakeholder network includes many parties outside the immediate geographic community, including ethical investment funds, international human rights activists, international financial institutions and national governments. Moreover, the stakeholders may or may not agree on what level of social licence should be granted. An understanding of how the various levels of social licence are distributed throughout the network provides the basis for strategies for developing and shoring up the social licence (e.g., alliance formation, issue reframing, etc.).



Case study: Anglo American Kumba in South Africa

10-Year relocation of residents displaced by an iron ore mine in Northern Cape

The Dingleton Resettlement Project commenced back in 2009 with initial community meetings. As of mid-2019, there were still a handful of holdouts. A prefeasibility phase saw the creation of a Resettlement Working Group (RWG), consisting of six elected community representatives and two honorary ward council members, plus community legal representatives and the representatives of the municipality. One of the first duties of the RWG was to discuss the conditions under which people would be prepared to resettle. In following phases, stakeholder inclusivity was expanded. As of mid-2019, there were still a handful of holdouts

Missteps

For community consultations, Kumba employed the guidelines of the International Finance Corporation (IFC). They also retained sociologists. Although the company and its staff had good intentions, it appears that there was a substantial culture gap between sections of the community and the staff managing the project:

Livestock: The sentiment attached to livestock may not have been fully appreciated. Livestock represents livelihood, a tradition bred over many generations.

House design: Culturally inappropriate house design included homes with bedrooms that were too small for the local communities' larger families.

Race: The community was a microcosm of racial South Africa. There was a sentiment in the community that the white consultants came across as condescending. Even though the company was trying hard to understand their racial cultures, a person of the same race should have been appointed to deal with the community.

CONCLUSIONS / TAKEAWAYS



Many mining companies are reinventing themselves as modern, sustainable and community-driven businesses. Without a social licence mining companies may find it impossible to operate. A social licence will become akin to having a mining licence.



The continued importance of mining is typically underestimated, especially for emerging economies. The vital contribution of mining to the future of a low carbon world is frequently overlooked. Mining companies should be unapologetic about the positive role of mining—economically and for the planet.



The majors were the first to recognise the need for social licence. Mid-sized companies are following suit and need to implement some version of the concept for the good of the industry — and their commercial self-interest. Innovative social licence models and partnerships are the way forward.



Tougher disclosure regimes on local, regional, national and global community impact are coming as fund managers give more weight to such disclosures. Lenders' compliance criteria will extend beyond performance on financial, environmental and social metrics, to include stakeholder inclusivity and responsiveness (i.e. social licence).



The potential benefits of social licence far outweigh the cost and significant time to develop one. Though not always easy, implementation is critical. Companies that overpromise but fail to deliver will have their social licence revoked. Social media will vilify them and investors will go elsewhere.



Societal participation in social licence — beyond the local mine community — is vital. Social media and the Internet have prompted issues-based stakeholder participation en masse, amplifying minority voices and making social licence a national issue.



It is essential to understand community stakeholder networks. Anti-mining groups (anti-capitalism, anti-development, anti-globalisation) will also try to leverage this knowledge to undermine the social licence to operate.



New business models will be sought whereby community or locally-owned operations are favoured over traditional models. Inclusive procurement is a key pillar of such a model and responsible sourcing will be demanded by mineral end users insisting on a clean, verifiable supply chain.



More than most, the extractive industry operates with a shared reputation, often damaged by the worst performers. Industry organisations are a useful channel for the sharing of best practices. Messaging is more impactful when companies combine their voices.



As social licence becomes a part of doing business in other industries besides mining (e.g. forestry, pulp and paper and renewable energy) the concept will further embed acceptance of the concept.

HOW BDO CAN HELP



MINE PLANNING STAGE:

Risk analysis – BDO work with organisations to effectively identify and assess risks related to social performance and community relations, including appropriate risk ratings and identification of treatment/ action plans.

Communication planning – BDO can assist organisations develop robust community communications plans to ensure that the community is provided with accurate, timely and relevant information.

Benchmarking communications strategies - BDO can utilise industry knowledge and best practice to benchmark an organisation's communication strategies and provide advice on how to improve strategies.

Continuous monitoring and data effectiveness – BDO work with organisations to develop robust and relevant continuous monitoring processes that will carry on throughout the life of mine. In doing so, the effectiveness of available data can be evaluated.

Financial modelling – BDO's Corporate Finance team have a wealth of knowledge and expertise in financial model construction, best practice reviews, integrity and comfort reviews, operational model reviews and covenant monitoring.

Mergers, acquisitions & partnerships – BDO can help mining organisations identify and improve partnerships right through the supply chain that enable them to drive social value and improve their decarbonisation footprint. In addition, BDO's Corporate Finance team can assist with the merging/ acquiring of other natural resource organisations that allow for shared resources, skills and innovation.

HOW BDO CAN HELP



MINE PRODUCTION STAGE:

Social performance health checks – BDO perform health checks to ensure mining organisations are meeting their social performance strategies and plans, community and environmental agreements and also the wider community expectations.

Assurance over social performance/community relations reporting – BDO can assist organisations by giving assurance that their social/community reporting meets the requirements and needs of the community.

CSR reporting – BDO can assist in the development and review of corporate social responsibility reporting.

Continuous monitoring and data effectiveness - BDO work with organisations to review, improve and perform continuous monitoring processes throughout the life of mine. This can include assurance of data accuracy.

Business intelligence, advanced analytics and productivity – BDO's Technology Advisory team are well equipped to provide advice and support to organisations requiring data analytics and business intelligence which can be used to improve transparency and reporting to the community.

Studies on social-economic and environmental impacts – BDO can assist organisations in the performing of social-economic and environmental impact studies to better inform business strategy and plans.

Strategic marketing – BDO can assess and identify opportunities for more effective and economical value chains, innovative offerings and alternative optimisation of distribution networks.

ESG Advisory – BDO can provide advice around developing and implementing Environmental, Social and Governance (ESG) programmes. The demand for ESG reporting is increasing with issues such as climate change, environmental sustainability, renewable energy use and responsible waste management are at the forefront of consumers' and investors' minds.

Renewable energy - BDO can support clients moving toward renewable energy through every stage of the development cycle and are well placed to service and help our clients anticipate the evolving sector globally.

Sustainable carbon and energy management practices - BDO's experienced team can help determine whether your business needs to factor in carbon management or energy planning into your strategic goals. They can also assess whether your business can benefit from participating in some of the schemes available.

HOW BDO CAN HELP



MINE CLOSURE STAGE:

People advisory – BDO's people advisory team can assist in preparing and advising organisations for unemployment of their employees as a result of mine closure. This includes upskilling and preparing the workforce for employment outside of the mine.

Continuous monitoring and data effectiveness – Even after mine closure, organisations are responsible for continued monitoring and reporting on the rehabilitating of the mined land. BDO can work with these organisations to review, improve and perform continuous monitoring processes during this stage and ensure that the required information is being captured and reported.

Progressive rehabilitation and closure planning – BDO can assist organisations in developing reviewing and monitoring their PRC plans, schedules and progress.

Care and maintenance process review – BDO assist organisations by ensuring that adequate policies and processes have been established to manage mines in care and maintenance. BDO can also perform health checks where mines are in care and maintenance to ensure they are being managed in line with requirements.

Endnotes

ⁱ Exploring the origins of 'social license to operate' in the mining sector: Perspectives from governance and sustainability theories, Resources Policy 37(3):346-57, Sept 2012

ⁱⁱ World Mineral production 2013-17, British Geological Society (2017 data).

ⁱⁱⁱ UN Population Division, <https://yaleglobal.yale.edu/content/world-population-2020-overview>

^{iv} <https://www.mining.com/chiles-copper-output-down-in-2019-on-declining-grades/>

^v Top 5 Risks in 2019, Control Risks, March 2019.

^{vi} Global Sustainable Investment Review 2018, Global Sustainable Investment Alliance (GSIA)

^{vii} The 7Cs of championing change: How to prepare your people for Industry 4.0, October 2019, Jenine Waters, Partner - People Advisory, BDO.

^{viii} A Strategic Approach to Early Stakeholder Engagement, International Finance Corp, May 2014

^{ix} L. Dixon, and L. Zandvliet, 2013, Walking the Talk: Community Rating of Eagle's Social Performance.

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