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Centre for Social
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Social performance gaps in the global mining industry

A position paper for executives

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Centre for Social Responsibility in Mining
Sustainable Minerals Institute (SMI)

The University of Queensland, Australia

csrm@smi.uq.edu.au

www.csrm.uq.edu.au

Authors

Professor Deanna Kemp, Director
Professor John Owen, Professorial Research Fellow

Centre for Social Responsibility in Mining
Sustainable Minerals Institute
The University of Queensland

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Susan Johnston, Executive Consultant to the SMI and editorial adviser.

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Definition

Social performance is defined by a company's interactions, activities and outcomes with respect to local communities. Performance is supported by systems, data and capability that align with international standards and locally negotiated commitments, with the objective of avoiding harm to people and ensuring a stable operating environment in which communities and companies can prosper.

Contents

1	Introduction.....	1
2	Company Social Responsibilities	1
3	The Social Performance Function in Today’s Mining Industry	2
3.1	<i>Focus on risk to the business, not risk to the community</i>	2
3.2	<i>A short-term ‘social licence’ approach</i>	3
3.3	<i>Doing ‘good deeds’</i>	3
3.4	<i>Conflating community relations with public relations</i>	4
3.5	<i>Lack of understanding of the social performance function</i>	4
3.6	<i>Diminishing social performance capacity</i>	4
4	Consequences of the Current Approach to Social Performance.....	5
4.1	<i>Failure to identify issues</i>	5
4.2	<i>Avoidable harm to communities</i>	6
4.3	<i>Loss of trust</i>	6
4.4	<i>Inability to maximise the value of social investment</i>	6
5	A Good Practice Model for the Future	7

1 Introduction

Global mining companies are expected to be socially responsible. In an era characterised by political instability, extreme weather, and social activism, companies have committed to upholding international standards on sustainable development and human rights. At a time when stakeholder expectations are high, and growing, companies have an incentive to build capability in social performance.

While individual companies have made advancements on a number of fronts, lack of social performance capability is an industry wide problem. Companies are increasing their risk exposure and losing the opportunity for value creation. The consequences of failing to harness this opportunity may be costly, both for host communities and for companies.

This position paper summarises the current state of social performance across the global mining industry. The sections briefly highlight six social performance basics that need attention, and identify the consequences of failing to address them. The final section proposes a ‘good practice’ model to support the industry in meeting its current and future commitments.

2 Company Social Responsibilities

Most global publicly listed mining companies have endorsed international corporate social responsibility (CSR) and sustainability frameworks. Membership of the International Council on Mining and Metals (ICMM), for example, requires commitment to:

- “integrate sustainable development in corporate strategy and decision-making processes”
- “respect human rights and the interests, cultures, customs and values [...] of communities affected by our activities”
- “pursue continual improvement in social performance and contribute to the social, economic and institutional development of host countries and communities”.¹

The ICMM Principles reflect both the International Finance Corporation’s 2012 Performance Standards on Environmental and Social Sustainability, and the United Nations’ 2011 Guiding Principles (UNGPs) on Business and Human Rights.

In practical terms, adherence to these international standards entails companies taking steps to exercise due diligence in the social and community context they are operating in; establishing comprehensive systems to ensure that social risks are identified in a timely manner; and managing and responding to those risks in a way that respects and supports the enjoyment of human rights.

¹ Principles 2, 3 and 9, ICMM. See: <https://www.icmm.com/en-gb/about-us/member-commitments/icmm-10-principles>.

Embodied in the standards is a recognition that corporate behaviour may infringe on human rights; and that acknowledging, preventing, and endeavouring to ameliorate human rights risks is a company responsibility.

In addition to their overarching social accountability, companies have specific social performance obligations arising from local-level agreements and commitments.

Ensuring that business imperatives are met, while also addressing company social responsibilities, is a profound and persistent challenge for the global mining industry.

The industry's response to that challenge is increasingly coming under scrutiny from communities, regulators, investors, and other stakeholders.

3 The Social Performance Function in Today's Mining Industry

For more than twenty years, we have been observing, and engaging with, mining companies with respect to their approach to community relations and social responsibility.

Our view is that substantive change is required if companies are to achieve the goals they have publicly committed to.

There are fundamental flaws in many company approaches to social performance. In summary:

1. there is a focus on risks *to* mining *from* the community; rather than on risks *to* the community *from* mining
2. the 'social licence to operate' approach limits understanding of social issues
3. there is an assumption that doing 'good deeds' equates to social responsibility
4. community relations and public relations are conflated and confused
5. there is limited understanding of the value of social performance activities
6. social performance capacity within companies is at perilously low levels.

3.1 Focus on risk to the business, not risk to the community

Socially responsible companies need to consider and manage the risks they pose to communities.

While many companies publicly acknowledge that this is the case, consideration of their social performance activities strongly suggests that companies are assessing social risk primarily, or even solely, in terms of impact to the company.

In these circumstances, social risk is characterised in terms of the likelihood that it will disrupt operations. The consequences considered are the consequences for production, reputation, and tenure. Risks to people are generally only assessed where those risks can clearly be seen as having a direct causal link to restricting operations. The pattern of interaction with communities in this situation can best be described as a 'user-relationship'. In user-relationships, objectives, tasks and the valuation of importance are uni-directional, and place a premium on the use of the other party over and above the relationship itself.

Seeing communities primarily in terms of the risks they pose to companies determines the depth and scope of company-community interaction. In some situations, a fear that engagement will raise expectations has driven what can only be described as ‘corporate avoidance behaviour’, where comprehensive and sustained dialogue is avoided in case those expectations spiral out of control.

Such avoidance is profoundly at odds with gaining the deep level of understanding required to fulfil sustainable development and human rights obligations.

3.2 A short-term ‘social licence’ approach

Mining companies now routinely talk in terms of gaining, and retaining, a ‘social licence to operate’.

The essence of this approach is that a company’s social performance efforts ought to be directed primarily, if not exclusively, towards demonstrating minimal opposition to mining operations.

Absence of protest, and positive results in perception surveys are seen as two of the indicators of company success in obtaining a social licence.

Viewing social performance through a purely social licence lens provides no incentive for companies to obtain a more detailed, operationally useful understanding of community needs and issues, or of ‘out-bound’, company-induced social risk.

The social licence approach also means that company efforts remain largely tactical, as distinct from the strategic, sustainable development, focus envisaged under international frameworks.

3.3 Doing ‘good deeds’

In global mining companies, the risk to company-social licence, focus is often accompanied by investment in community ‘improvement’ or ‘development’ projects.

These projects are frequently highlighted by companies as illustrative of their commitment to sustainable development.

We acknowledge the good intent behind many of these initiatives, and the practical benefits that can accrue to communities when projects are well planned and considered.

Nevertheless, it is important to appreciate that, as the UNGPs on Business and Human Rights make clear, good deeds of this kind are not a substitute, or a proxy, for company obligations to thoroughly identify, and mitigate the social risks they pose to communities.

Unfortunately, there are many instances of development programs being used to ‘pacify’ communities – or as a public relations exercise for companies – rather than those initiatives forming an integrated component of an overall company commitment to delivering on its social performance obligations.

3.4 Conflating community relations with public relations

Increasingly, we are seeing the social performance function within mining companies being grouped with public and corporate affairs activities; and being managed by specialists from the latter disciplines.

Accompanying this trend is a tendency to re-cast social performance as a reputation-driven function, rather than a strategic or evidence-driven function. In these circumstances, companies are looking for 'quick wins' in community engagement. Punchy, positive announcements are preferred over gaining a deep appreciation of complex social issues and contexts; or endeavouring to assess the longer-term impacts of company interaction with communities.

Conflating public relations with social performance overlooks the fact that the purposes of the two areas of activity are, or at least should be, fundamentally different. Where public relations, communications and corporate affairs functions seek to position the company in the best possible light; social performance functions should be seeking to obtain the best possible outcome for communities affected by mining operations.

3.5 Limited understanding of the social performance function

Given the significant absence of corporate understanding of what international obligations on social responsibility actually entail, it is perhaps unsurprising that there remains a widespread lack of appreciation for the potential value of the social performance function.

Our engagement with many operations personnel, and line managers over the years has consistently indicated that mining industry staff whose job it is to engage with communities are generally seen as peripheral to 'core business', unless there is a crisis. Even where social performance practitioners are able to successfully manage or resolve conflict, recognition for their efforts is generally short-lived.

The view that social performance is an 'addition' to core business has led to practitioners being excluded from management forums, at both the site and the corporate level. There is an expectation that social performance specialists are there to implement the decisions made by professionals managing the business, rather than to influence, or contribute to those decisions.

More generally, we have observed widespread unwillingness on the part of mining managers to 'hear', and consider, social and community information which is not seen as immediately critical to day to day operations.

3.6 Diminishing social performance capacity

Misconstruction and confusion about 'corporate social responsibility' has left the social performance function acutely vulnerable to cutbacks during mining industry downturns.

In recent times we have seen a significant diminution in the scale and quality of company social performance capabilities. The social performance function is now weaker than it has been for the past two decades.

Not only have companies stripped the function of talent, and curtailed professional development for remaining staff, but the resources required to commission studies, oversee and manage data collection, and analyse social data for decision-making have been substantially reduced.

Social management systems are falling into disrepair because site-level monitoring data is either not being collected or is being collected under circumstances that undermine the basic integrity of the data. These circumstances include, for example, impractical timeframes, unreasonably tight budgets, difficult in accessing competent service providers, or lack of continuity between data collection rounds.

Lack of capability feeds into an increasing propensity to underestimate social complexity.

Ironically, these changes have occurred at a time when social responsibility expectations continue to grow; and in the face of past experience that shows that when conditions are uncertain there is often a greater demand for community engagement, grievance handling and studies to understand social impacts.

4 Consequences of the Current Approach to Social Performance

The current approach to social performance within the mining industry has the potential to result in serious consequences for both communities, and companies. Those consequences can include:

- failure to identify non-obvious, but significant, community and social issues
- avoidable harm to communities
- loss of trust
- inability to maximise the value of social investment.

4.1 Failure to identify issues

Taking a short term, company-focussed, social licence approach, can obscure underlying but significant community issues.

This is particularly so when community silence is interpreted as satisfaction.

We have observed situations where:

- inadequate consideration of community needs has led to companies being surprised by the 'sudden' emergence of dissatisfied, marginalised groups
- taking a step-by-step, permitting-driven approach to social performance has left companies making a series of poorly connected, less-than-effective decisions about their interactions with communities
- inadequate focus on collection, analysis and maintenance of social science data has left companies unable to map the development of issues over time
- characterisation of social risk in terms of single point threats to business operations has left companies ill-equipped to identify and respond to multi-faceted, complex, social issues, including those posed by in-migration to communities in mining areas.

Decision making based on the intuitions of non-specialists is inhibiting the industry's ability to identify, manage and remediate in areas of business activity that are increasingly recognised as high risk and high cost.

4.2 Avoidable harm to communities

Failure to fully identify issues can also lead, and has led, to companies causing avoidable harm to communities.

This is a fundamental contravention of company social performance obligations.

Where social needs and issues are poorly diagnosed and characterised; where only those social risks that have a clear potential to disrupt mining operations are addressed; where more attention is given to talking about sustainable development rather than working towards it; and where the social performance function exists as a poorly resourced offshoot of mining company core business; the potential for mining companies to cause social harm is very real.

We are aware of instances where:

- distribution of mining benefits without first understanding community social structures and relationships has led to conflict and violence
- development programs initiated without adequate consideration of existing community issues have exacerbated inequality
- singular focus on gaining land access has allowed initially minor harmful community impacts to deepen, and entrench.

4.3 Loss of trust

Company investment in social performance activities ought, ideally, to provide a vehicle for building relationships and trust between companies and communities.

When these activities are driven by a narrow view of social performance, which privileges business needs, the opposite can be true.

Approaches which are predicated on short-term self-interest, and focussed on promotion, generate cynicism both at the local community, and international stakeholder level.

4.4 Inability to maximise the value of social investment

Social investment and community development projects are meant to minimise social harm, or to provide a social benefit, in areas affected by mining.

However, the paucity of social data collection and analysis can make it impossible to demonstrate positive sustainable outcomes from company social investment efforts. Lack of information makes it even more difficult to assess the extent to which social investment has benefited some groups above others – a point of significance given that the inequitable distribution of risks and benefits associated with mining is a longstanding and recurring theme.

More fundamentally, narrow approaches to social performance can result in missed opportunities to design and implement a collaborative developmental agenda with communities themselves.

5 A Good Practice Model for the Future

If the global mining industry is to live up to its stated commitments to social responsibility, then some key changes will need to be made.

A shift away from the narrow constraints of a social licence to operate approach towards a holistic recognition of social risks, especially those posed by company activities to local communities, is required.

Companies also need to dispense with the view that the social performance function is in some way surplus to core business. If companies are to address the social pillar of sustainable development, and understand risks to the business, then identification and management of social issues must be integral, not additional, to mining operations.

Achieving this integration will require:

- baseline understandings of local conditions being determined pre-mining, and then continuously drawn from at an operational level as mining progresses
- investment of time and resources in establishing, maintaining, and utilising quality databases on community and social matters
- education, or re-education, of management at all levels on the value, nature, scope and benefits of good social performance practice. Development of broad-based social competencies across the business is essential
- structural change which recognises the importance of the social performance function, and the ways it compliments yet differs from public relations, communications and corporate affairs specialisations
- ideally, the establishment of senior social performance positions, with direct line accountability to the Chief Executive (a Vice President Social Performance role). Such individuals should oversee the building and working of a complete social function, from corporate through to site levels. Companies fully embracing the need to integrate social performance into their business could also appoint social performance leaders to their Boards
- innovations that position social performance functions as valued contributors within the operational landscape. Professional Compacts and Memoranda of Understanding between technical and social professions, and Internal Integration Agreements between functions and departments could be considered
- above all, scope and space being given to social performance staff to share their knowledge, and to influence operational choices.

We recognise that the approach proposed will pose challenges for many companies. Our clear view is that without a step change in the area of social performance, mining companies, and communities affected by mining, will face far more significant trials in the future.