Research Studies on Building Social License within Mineral Exploration

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http://www.mining.ubc.ca/SocialLicense.html
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Survey conducted in 2005/06 revealed 80% of respondents had heard of the term SLO.

There was no real consensus on:

- who has it
- how it is earned
- what is required to earn it
- how to maintain it

Survey indicated that industry required a template from which to:

- embark on a process to acquire SLO
- benchmark and understand what SLO is
- understand when it was earned and what’s required to maintain it
Introduction

- Exploration Template was designed in collaboration with Placer Dome Inc (Barrick Gold).
- Aims to establish an effective communications and engagement process with local communities to assist in building and earning a Social License.
- The template provides practical assistance in conducting situational analysis
- It was intended to be a precursor to any pre-feasibility study, for companies to develop an integrated relationship with stakeholders
What is Social License to Operate (SLO)?

- Social license can be defined as a set of concepts, values, tools and practices that represent a way of viewing reality for industry and stakeholders.

- Its purpose is to create a forum for negotiation whereby the parties involved are heard, understood and respected.

- It is a means to earn accountability, credibility, flexibility and capacity for both stakeholders and industry.
What is Social License to Operate (SLO)?

- A social permit
- It is granted by stakeholders
- It is not a “one-size-fits-all” approach
- It cannot be transferred from region to region
- It is not written on paper
- It is reputational, however one bad experience can result in it being revoked
What is Social License to Operate?

“An intangible, non-permanent measure (implying standards and renewal) of ongoing acceptance of a company’s activities by communities” (Nelsen, 2005)
Why is Social License to Operate Important?

- Identified the need to define and Quantify Social License to Operate
- Important – Corporate Accountability, Credibility & Capacity
- It is a source of Competitive Advantage
- Minimize project risk
- A genuine opportunity to transform mining into an activity that is recognized to promote economic and social development of associated communities
Social License to Operate Industry Survey

• The survey indicated that companies need to pay particular attention to:
  ▪ Understanding culture, customs, language, and history of the communities;
  ▪ Effective education of local communities about the project; and,
  ▪ Ensuring open communication with all affected communities.

• Implicit understanding that SLO requires an element of ‘renewability’—it is not static or fixed at a single point in time nor is it necessarily transferred through company acquisitions.
How do we earn a Social License to Operate?

How do we acquire a Social License?

- Understanding culture, customs, language, history etc
- Educating local stakeholders about the project
- Ensuring open communication amongst all stakeholders
- Maintaining a sound track record as a positive corporate reputation
- Workforce training
- Employing Innovation and Technology to avoid undue impacts
- Community support and capacity building
- Business partnership with communities for economic development
- Enabling corporate transparency
- Going beyond legal & regulatory compliance
- Collaboration with communities to help meet their infrastructure needs
- Meeting sustainable development criteria
- Responsible local stakeholder compensation
- Partnering with NGO’s for assistance where necessary
- Promoting a positive brand value as a corporate image
- Reference to existing reference material
- Workforce training

Total Sum of Respondent Votes (1-10)
How do we earn a Social License to Operate?

- A framework is required to guide companies through a process to ensure the acquisition of SLO.
- A stakeholder analysis must be completed to ensure congruency between a company’s plans and affected stakeholders.
- **Situational Analysis** provides this tool.

*Placer Dome “Exploration Social License Guideline”*

Start at the exploration phase

It is generally the initial contact with local communities which forms the cornerstone of effective communication and trust building.
How do we earn a Social License to Operate?

Situational Analysis is:

- an in-depth process to develop an understanding of the needs of specific audiences in a specific setting.
- it involves a combination of data gathering techniques - mass media reviews, direct field observations and interviews.
- an ‘environmental’ scan
- typical phases are:
  - literature review
  - PEST analysis
  - SWOT analysis
  - strategy formulation
How do we earn a Social License to Operate?

**PEST analysis**
- Political
- Environmental
- Social
- Technological

**SWOT analysis**
- Strengths & Weaknesses
- Opportunities & Threats

**INTERNAL:**
- Strengths & Weaknesses
- Opportunities & Threats

**EXTERNAL:**
- Political
- Environmental
- Social
- Technological

**Issues**

**COMMUNITY PROFILE**

**CORPORATE MISSION & OBJECTIVES**

**STRATEGY FORMULATION**
- Sources of risk; evaluate risks: meet risk constraints

**Implementation & Control**

**Action plan**
Situational Analysis Tools

PEST Analysis

PEST Analysis:
- simple tool
- provides insight into the ‘big picture’ of the Political, Economic, Social and Technological (PEST) environment from the onset of project development
- cost effective
- macro analysis
- used to develop a strategy for managing risk and optimizing the socio-economic benefits to the communities
What is the current state of the region’s environmental law, regulations and governmental administration and what are the implications for the exploration team and its program?
Situational Analysis Tools

PEST Analysis

• Community Profile
  • Community Resilience (Adaptability)
  • Consultation
  • Community Indicators (Warnings)

• Strategy Formulation
  • Identify Sources of Risk
  • Evaluate Risks
  • Meet Risk Constraints

Helps to establish relationships between elements to determine their effect on one another

Example:
Placer Dome Project X
CDO and Community Appraisals
SWOT analysis:

- subjective micro-environmental assessment of data.
- a planning tool that follows PEST Analysis
- evaluates the Strengths, Weaknesses (INTERNAL), and Opportunities and Threats (EXTERNAL) of a potential mining project (SWOT)
- from the onset of project development
### Situational Analysis Tools

#### SWOT Analysis

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<tr>
<th><strong>STRENGTHS</strong></th>
<th><strong>WEAKNESSES</strong></th>
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<tr>
<td>ADVANTAGES OF PROPOSITION?</td>
<td>DISADVANTAGES OF PROPOSITION?</td>
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<td>CAPABILITIES?</td>
<td>GAPS IN CAPABILITIES?</td>
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<tr>
<td>COMPETITIVE ADVANTAGES?</td>
<td>LACK OF COMPETITIVE STRENGTH?</td>
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<td>RESOURCES, ASSETS, PEOPLE?</td>
<td>REPUTATION, PRESENCE &amp; REACH?</td>
</tr>
<tr>
<td>EXPERIENCE, KNOWLEDGE, DATA?</td>
<td>FINANCIALS?</td>
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<tr>
<td>FINANCIAL RESERVES, LIKELY RETURNS?</td>
<td>OWN KNOWN VULNERABILITIES?</td>
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<td>MARKETING-REACH, DISTRIBUTION, AWARENESS?</td>
<td>TIMESCALES, DEADLINES &amp; PRESSURES?</td>
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<tr>
<td>INNOVATIVE ASPECTS?</td>
<td>CASHFLOW, START-UP CASH-DRAIN?</td>
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<tr>
<td>LOCATION &amp; GEOGRAPHICAL?</td>
<td>RELIABILITY OF DATA, PLAN PREDICTABILITY?</td>
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<tr>
<td>PRICE, VALUE, QUALITY?</td>
<td>MORALE, COMMITMENT, LEADERSHIP?</td>
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<tr>
<th><strong>OPPORTUNITIES</strong></th>
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<tr>
<td>MARKET DEVELOPMENTS?</td>
<td>POLITICAL, LEGISLATIVE EFFECTS?</td>
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<td>COMPETITORS' VULNERABILITIES?</td>
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<tr>
<td>INDUSTRY OR LIFESTYLE TRENDS?</td>
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<tr>
<td>TECHNOLOGY DEVELOPMENT &amp; INNOVATION?</td>
<td>COMPETITOR INTENTIONS - VARIOUS?</td>
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<td>GLOBAL INFLUENCES?</td>
<td>MARKET DEMAND?</td>
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<td>NEW MARKETS, VERTICAL, HORIZONTAL?</td>
<td>NEW TECHNOLOGIES, SERVICES?</td>
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<tr>
<td>NICHE TARGET MARKETS?</td>
<td>VITAL CONTRACTS &amp; PARTNERS?</td>
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<tr>
<td>GEOGRAPHICAL, EXPORT, IMPORT?</td>
<td>SUSTAINING INTERNAL CAPABILITIES?</td>
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<td>INFORMATION &amp; RESEARCH?</td>
<td>INSURMOUNTABLE WEAKNESSES?</td>
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<td>LOSS OF KEY STAFF?</td>
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<td>SUSTAINABLE FINANCIAL BACKING?</td>
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Situational Analysis Tools
SWOT Analysis

• Examples include:
  - **Strength**-prior NGO relationships
  - **Weakness**-prior environmental legacy issues
  - **Opportunity**-preferred status as operator of choice
  - **Threat**-poor public perception from past exploration projects apparent in the region; or a high risk of volatility in government policy.
Situational Analysis Tools

SWOT Analysis

- SWOT analysis can help turn weaknesses and threats into strengths or opportunities.
- It helps establish a strategy for managing risk and adjusting planning decisions and actions.
- It is a potential framework for determining the key planning elements that relate to working effectively with communities.
Situational Analysis

• Situation Analysis is just a set of frameworks used to guide the discovery process.

• It is a series of questions or discussion points that can be used to brainstorm ideas, thereby allowing for the collective evaluation of risk within an ETA.
Situational Analysis

- Process provides a clear understanding of the sources of risk, issues and potential actions needed to convert weaknesses and threats into opportunities.

- Situational Analysis can therefore be a tool in the development of a strategy to deal with the particular project environment, and ensure corporate social responsibility.
Conclusions

**PEST analysis**
- Political
- Environmental
- Social & Technological Factors

**SWOT analysis**
- Strengths & Weaknesses
- Opportunities & Threats

**SITUATIONAL ANALYSIS**
- Issues

**COMMUNITY PROFILE**

**STRATEGY FORMULATION**
- Sources of risk; evaluate risks: meet risk constraints
- Implementation & Control
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**CORPORATE MISSION & OBJECTIVES**
Conclusions

• Industry in general is becoming well aware of the need to earn the support of communities around potential exploration activities and the concept of Social License as a part of Corporate Social Responsibility.

• The use of situational analysis (PEST and SWOT) is a logical means to provide exploration and mining companies with the foundation from which to build a strategy for the acquisition of a Social License.
Conclusions

• Preliminary use of these tools within an exploration template provides a starting point, but more importantly helps identify and define how to move forward, ensuring fully engaged and committed participation by all stakeholders.
• Situational Analysis is the “full situation of inquiry”, going beyond just ‘knowing the situation” to being fully situated.
• Being “in tune” with environment will ensure SLO remains in place during the Life of Mine Cycle.
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Questions