Local Populations and the Social License to Operate

13 May, 2013 – 8:00 AM EDT
Technical Difficulties: If you have technical issues, please let us know by typing a message in the Questions pane (A). You can raise your hand (B) if we do not respond.

Q&A: We will be taking questions on content at the end, but you can send them to us throughout the webinar by using the Questions pane (A). Please specify to whom the question should be directed.

Example: Question for John Doe: What are the Guiding Principles?
Agenda

**Introduction by UNGC: 5 - 7 Minutes**
*Matthew Daly*, Human Rights, UN Global Compact

**Introduction to Social License to Operate: 10 - 12 Minutes**
*Katherine Teh-White*, Managing Director, Futureye

**Business Examples: 12 - 15 Minutes Each**
*Claude Perras*, Head of Sustainability, London Mining Plc
*Jonathan Drimmer*, Vice President, Assistant General Counsel, Barrick Gold Corporation

**Q & A: Remaining Time**
Introduction

Objectives

1. Explore relationships between businesses and the communities in which they operate (focusing on the extractive industry).

2. Compelling business arguments for proactive and robust human rights due diligence will be presented.

3. Explore how impacts on the rights of local people can pose risks to a company’s social license to operate in a region, its productivity and its reputation.

4. Share examples of best practices to avoid negatively impacting the human rights of local populations and lessons learned from previous impacts.
Introduction

**Responsibility to Respect Human Rights**
Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts.

**Human Rights Due Diligence**
Business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts...

**Grievance Mechanisms**
Operational-level grievance mechanisms can also provide important feedback on the effectiveness of the business enterprise’s human rights due diligence from those directly affected.

Local Populations and the Social License to Operate

Date: May 2013
Presented by Katherine Teh-White
Building a social licence to operate

An industry’s social licence relates to social expectations
Futureye's experience (2002-2012)

Legend
- Crisis
- High SLO risk
- Proactive SLO management
How you feel leads to how you think and act

Thinking brain (*neocortex*)
“Reasoned planning and analysis”
- speech
- logic
- higher thinking skills

Emotional brain (*limbic system*)
“Outrage and emotional reactions”
- emotions

Survival brain (*reptilian brain*)
“Fight or flight”
- instinct
- survival
What sends executives limbic or reptilian?

\[ R = H + O \]
How you react when you are limbic or reptilian...

The four stages of a risk controversy

1. Ignore
2. Bury in data
3. Attack and impugn
4. Give them what they want

Dr Peter Sandman, Futureye Associate
Trigger a different reaction by planning conservatively

Identify points of increasing pressure

Points of intervention to retrieve a social licence to operate

- Loss of regulatory licence to operate
- Loss of social licence to operate
- Public policy change
- Litigation
- Political pressure
- Media
- Group complaints & action
- Individual complaints & action

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How society decides and politicians are lag indicators of change

Representative democracy model

- Community Activism
- Government
- Industry
- Backlash
- Legislate
- Engage
- Pressure
- Regulate

Black = what businesses expect to happen
Orange = what actually happens
How industry can shape outcomes for itself

Monitory democracy model

- Community Activism
  - Commercial and community intent
  - Advise
  - Engage
  - Negotiate

- Government
  - Favourable Policy

- Industry
Futureye Social Licence to Operate strategy development method

1. Audience
2. Expectations
3. Outrage
4. Inter-relationships
5. Strategy Development and Governance

Social Licence to Operate
Activists drive the change in audience views

Who is your audience?

Futureeye
As issues mature, strategies need to change

What does your audience expect of you?
Outrage can’t be mitigated by scientific facts

\[ R = H + O \]
Inter-relationships need to be understood and changed
Strategy execution requires cultural change and governance
Closing gaps: the need to build public accountability and transparency

Social licence dimensions are tailored to your industry

Executive commitment
Responsible behaviour
Governance structure
Human resources & proactive change
Measurement, reporting & education
Internal communications
Customer satisfaction
Policy & licensing
Legal issues
Shareholder value
Customer engagement
Community engagement
Government relations
Media
Activists & NGOs
Environment
Local Population and the Social License to Operate
UNGC Webinar

Claude Perras
Head of Sustainability
13 May 2013
Agenda

- Overview of London Mining
- Strategic shift in thinking
- Practical examples to obtain and preserve the social license to operate
- Challenges associated with the SLO
- Future perspectives on how to ensure social license to operate
- Key challenges
London Mining Today

IRON ORE

MARAMPA, Sierra Leone (100%)
- Commenced production in Q4 2011
- 2Mtpa in 2012 growing to 16Mtpa by 2016
- Premium sinter concentrate and pellet feed 65.5% Fe
- >1 billion tonne resource; 27 year mine life

ISUA, Greenland (100%)
- 15Mtpa from 2015
- Premium 70% Fe pellet feed
- >1 billion tonne resource; 30 year+ mine life

COAL

COLOMBIA (100%)
- Near term coke production
- Coking coal resource development

WADI SAWAWIN, Saudi Arabia (25%)
- 5 Mtpa from 2016
- 67% Fe DR pellets
- 400Mt + resource; 20 year+ mine life
OVERALL OBJECTIVES

STRATEGIC SHIFT IN THINKING

From Organisational Centred to Issue Centered

Traditional Model

London Mining as Partner / Patron

Proposed Model

London Mining as Co-facilitator / Co-initiator / Supporter

Development plan and local priorities
Practical examples to obtain and preserve the social license to operate

- **Social Legitimacy:** comes from the company’s respect of established norms of the community; that may be legal, social and cultural and both formal and informal in nature.
  - Conduct community baseline study, which capture the key social, environmental and economic factors that shape life in identified communities by providing information on livelihoods, mortality and morbidity, life expectancy, expenditure patterns and social arrangements between families and family members. Details of land use, land access and land ownership arrangements are also provided, as is information on ethnicity, social organisation and leadership. The baseline should also capture Cultural heritage place or object to which is ascribed cultural, spiritual, aesthetic, historic, scientific, research or social significance for past, present or future generations.
  - Complete a detailed stakeholder mapping an analysis and develop an effective engagement strategy based on stakeholders expressed concerns.
  - Establish a mutually agreed consultation/dialogue mechanism including representation, frequency, etc.
  - Establish a mechanism to identify and resolve promptly grievances. Grievance mechanisms supports the development of positive relationships between projects and the communities and other stakeholders they may affect.

- **Credibility:** is created by consistently providing factual and clear information and by respecting commitments made to the community. Credibility is best established through written agreements where the rules, roles and responsibilities of the company and the community are negotiated, defined and consolidated; such a framework also helps to manage expectations.
  - Develop a sustainability vision and framework aligned with local and national development priorities
  - Develop a multi year community plan. The plan should provide a clear link between business outcomes, permits for an expansion, the maximisation of local socio-economic benefits, and community relations activities. The plan should have time horizons that match business planning arrangements and should have a rolling, annual update.
  - Leverage partnership funding and expertise to ensure projects are collaborative.
  - Impact Benefit Agreement IBA, Community Development Agreement CDA, Participation Agreement.
  - Ensure that all performance indicators are jointly agreed upon, monitored and evaluated with key stakeholders.

- **Trust:** is the willingness to be vulnerable to the actions of another. It is a high-quality relationship that takes both time and effort, and comes from shared experiences, beyond transactions with the community.
  - Legal licence is no longer sufficient. Cannot operate without a social licence. The only way you know you have the social licence to operate is when you do not have it anymore. Should never take it for granted

Future perspectives on how to ensure social license to operate

- Shift engagement practices associated with communities and regions’ priorities from an organisation-centered approach to an issue-centered approach

- Integration into local planning

- Identify areas of overlapping interest – strategic, operational, economic, environmental and social

- Build consensus on engagement design, implementation and assessment between mining and communities not excluding other stakeholders

- This is about engaging in mutually-beneficial partnerships
  - Fulfilling local development priorities and company’s strategic objectives
  - This is not about philanthropy – it is about ensuring the long-term sustainability of the business, and long term development of communities and regions where mining occurs
Key challenges

- Change our corporate culture
- Learn to share decision-making power
- Learn to become a stakeholder regarding shared issues
- Build consensus in fragmented contexts
Overview

- Governance concept
- Human rights approach
  - Create positive impacts and improve the human rights of affected stakeholders
  - Systems to avoid negative impacts
    - Compliance program
    - Functional area management systems
  - Remediate negative human rights impacts
### Tone from the Top, Policies & Procedures

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<th>Board Role</th>
<th>Policies</th>
<th>Detailed procedures</th>
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<td>• Approval of Code &amp; Policies</td>
<td>• Code of Conduct</td>
<td>• Notification and escalation</td>
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<td>• Reporting of issues, programs to CR Committee</td>
<td>• Human Rights Policy</td>
<td>• Immediate reporting of all information</td>
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<td>• Functional area systems</td>
<td>• Hotline</td>
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<td>• Grievance procedure</td>
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Employees & 3rd Parties

- Due diligence
  - Background checks
  - Pre-retention audits

- Education and requirements
  - Before day 1 approach
    - Job postings and applications
    - Sourcing Standard, Supplier Code of Ethics
  - Contracts and agreements
  - All employees receive training upon induction
    - More in depth training depending on nature of position
  - Certain third parties
Operational assessments

- Internal & external approach
  - Human rights assessments
    - External assessment team
      - Independent external advisor
    - 3 years
    - Corporate gap assessment
  - All sites and advanced projects
    - Some desktop, some live
  - Custom developed tool
  - Senior management reporting
  - Annual board report
  - Indicators in internal EHS audits
  - Security specific audits/assessments
Additional components

- Disciplinary approach
  - Employees on or off duty, suppliers
  - Commit, contribute to, hinder investigations into abuses

- Remediation
  - Cross-functional, interoffice approach
  - Different approaches at different locations

- Reporting & Partnerships

- Acquisitions
  - Pre-acquisition assessment
  - Part of integration process

- Testing
Thank you for joining us today.
Presentation slides and a recording of the webinar will be available on the UNGC website.

If you have any additional questions, please contact:

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