



MICA

Minerals Intelligence Capacity Analysis

FACT SHEET

CSR and Social Licence to Operate

Scope (conceptual model & main characteristics)

CSR or Corporate Social Responsibility is a concept whereby enterprises integrate social and environmental concerns into their mainstream business operations. While the laws of a jurisdiction provide a regulatory framework governing issues such as employment rights, environmental protection, equality and fair trading, CSR goes beyond compliance with legislative requirements and creates shared value through collaboration with all stakeholders. It facilitates the alignment of interests of enterprises and wider society so that they are mutually supportive.

A key driver of CSR is the impact it can have as a lever for improving competitiveness and as a means of reducing costs and creating new value. Most businesses seek to be profitable, and this can be done in a manner which creates shared value for all stakeholders. High performing organisations manage their societal, economic and environmental responsibilities in an ethical manner which benefits them, their workers and their wider local communities.

The European Commission suggests that CSR can have a positive influence on the competitiveness of enterprises and can bring real benefits in terms of:

- Customer relations: consumers are increasingly paying more attention to the environmental and social credentials of the products and services they buy and the activities of companies in the sourcing and production of the goods they sell.
- Risk management: as a means of anticipating and reducing potential sources of risk and a means to enhance reputation.
- Cost savings: particularly in the area of the environment and resource efficiency.

- Human resources: through its effect on employee relations, the capacity to attract and retain talent, and its positive impact on staff motivation and productivity.
- Improving innovation capacity: engaging with customers enables businesses to keep close to emerging market trends and can lead to the development of new business models or products.
- Investment: Investors are increasingly looking at the ethics and practices of companies they are considering investing in.

A key priority for a socially responsible business is to develop and maintain strong and mutually beneficial relationships with its neighbours and within the community in which it operates. It is at the local and community level that the impact of increased CSR activity will be felt in social, economic or environmental terms. Using scarce resources efficiently, helping people to develop their potential and building self-reliant communities are all part of the benefits that will be seen when businesses embed CSR practices into their operations. Respectful consultation, participation and collaboration with local communities bring a host of benefits to the enterprise as well as to the community. An active and sincere interest in the community by a business can generate community support, goodwill and loyalty. Community involvement is also a method of stakeholder engagement and pro-active CSR can assist in gaining social acceptance and a social licence to operate (SLO).

The concept of ‘social acceptance’ of geoscience or other resource development often focuses on communities that live within a zone of influence of the specific proposal. This ‘social area of influence’ consists of people potentially directly or indirectly impacted by the project, which may be both ‘communities of place’ and ‘communities of interest’. The former tend to be the residents who live in the zone, while the latter may be NGOs (Non-Governmental Organisations) or people with a shared interest in the type of development, who reside outside the zone. Social acceptance thus becomes a more complex, heterogeneous and far-ranging concept. There has been significant research carried out on the SLO in relation to renewable energies, in particular on wind energy projects, in the past decade. By way of illustration, broad social, political and market acceptance of renewable energies (REs) has received strong support across Europe – from the 1990s onwards. However, while ‘society’ at large may accept the policy need for REs, it is at the level of the community (i.e. local) that the greatest challenge to accepting a proposed development lies. Wüstenhagen et al, 2007, (in consideration of wind energy) suggested that social acceptance should be viewed as a broad concept in which all societal actors accept a proposed development. This may be divided into three inter-dependent sub-elements:

- (i) Socio-political acceptance: regarded broadly as “public opinion” and therefore reflected in the tone of debate in the media and political circles about the value and viability of the project. This element of acceptance has a direct impact on the degree of support offered by national bodies, planning policy, decision makers, etc. While several indicators demonstrate that ‘public acceptance’ for renewable energy projects are high in many countries, this may have (mis)led policy makers to believe that social acceptance is not an issue.
- (ii) Market acceptance: relates to the degree to which financial institutions, in the broadest sense, accept a proposed development. This is reflected in the way banks and developers view the viability of the investment. For example, the financial support for

wind energy in Denmark influenced the growth in wind generating capacity from the mid-1990s onwards, to its current world leading position.

- (iii) Community acceptance: often conflated in people's minds with social acceptance more generally, but relates more narrowly to the degree to which people living in the immediate surroundings accept specific project proposals and who most often bear the direct impact(s) of a development.

Non-social acceptance can be highly costly. Community objections to safety and environmental aspects of the Corrib Gas development in Co. Mayo, Ireland since the early 2000s delayed the project by more than twelve years. The capital cost of the project was estimated at \$714 million but a more recent report estimates the capital cost to have been €3.4 billion. In a report, commissioned by the Geological Survey of Ireland, citizens feel strongly that they were not being consulted in a meaningful way when projects were being developed. This was despite the significant augmentation of the consultative process by public and private bodies.

The old ways of communicating 'at' people are no longer satisfactory or sufficient. Community activists are seeking increasing access to national, regional and local policies on resource management and development that impact directly on communities. They are also finding that legal challenges can be financed locally through crowd-funding mechanisms. Ireland is not unique in this form of social response to resource development. 'Natural resource stress' internationally rarely operates in isolation; it is linked to other economic, institutional and political variables to generate a range of effects that impact on the overall ability of the state to develop its resources for societal good. In short, social acceptance is critical if natural resources are to be developed and associated socio-economic benefits realised. However, the factors that determine 'social acceptance' must be explored further to understand public response to a proposed development.

While the socio-political and market levels of acceptance are required for sustainable development, it is at the level of community acceptance that the most contentious disputes arise. It is easy to dismiss non-acceptance at community level simply as 'NIMBY'ism (Not In My Back Yard) but research has consistently shown that the issue is more complex and may be linked to factors such as: psycho-social issues (mistrust); place attachment; and sense of procedural or distributional unfairness – all of which may contribute to negative attitudes and fear of development. The concept of 'Endowment Effect' is highly relevant when resource development projects are proposed. This proposition explains the fact that people tend to consider losses to be more significant than gains, therefore making all the offerings of new goods and services provided by the project pale in comparison to what they perceive could be at risk. Developers and legislators should not dismiss emotions as 'irrational' but should work to minimise the impacts and allay fears in an open and honest way.

Where communities are already under socio-economic pressure, the imposition of 'outside' activities may induce conflict and cause fragmented communities to split further; conversely, where there is strong social capital, communities may be more open to accepting the resource activity. In all instances, an open and deliberative process of engagement is critical to identifying alternatives and resolving conflict. There is also research that supports the view that the concept of 'acceptance' is in itself flawed and reduces a complex area of social consideration to either acceptance or rejection and is insufficiently nuanced to consider the array of public responses. A useful argument is provided by

Batel et al. whereby ‘acceptance’ seems to involve a reaction to something external and one which is mainly characterised by passivity and non-decision, and ‘support’ seems more clearly to be action-oriented, to imply backing for and engagement with something. This argument suggests that ‘acceptance’ may be too passive and that ‘social support’ would be a better term. All of these terms may be used such that a continuum of reaction or response to a project can be recognised:

- Active objection (high engagement but mainly opposition)
- Mixed response (some pockets of support and of objections or scepticism, but no consensus or critical mass either way).
- Disengaged or passive tolerance (little or no community engagement of any kind and/or many objections).
- Active support (few objections, extensive engagement; in favour of the project).

The key message is that a low level or absence of objection is not necessarily indicative of public support for a project.

Linked to social acceptance is the ‘social licence to operate’ (SLO). While a company may be granted a legal permit to explore, operate or develop a particular project, they must also seek a social licence, requiring proactive and deliberative engagement. Such a social licence is “granted” by the host community and may allow the developer to proceed, but it is frequently intangible, dynamic and critically non-permanent. Thus it must be earned and maintained to reduce the risk of project delays and cost over-runs. Internationally, it is recognised that management of social acceptance (or resistance) reduces project risk. Non-social acceptance frequently ranks highly on risk lists facing mining operations.

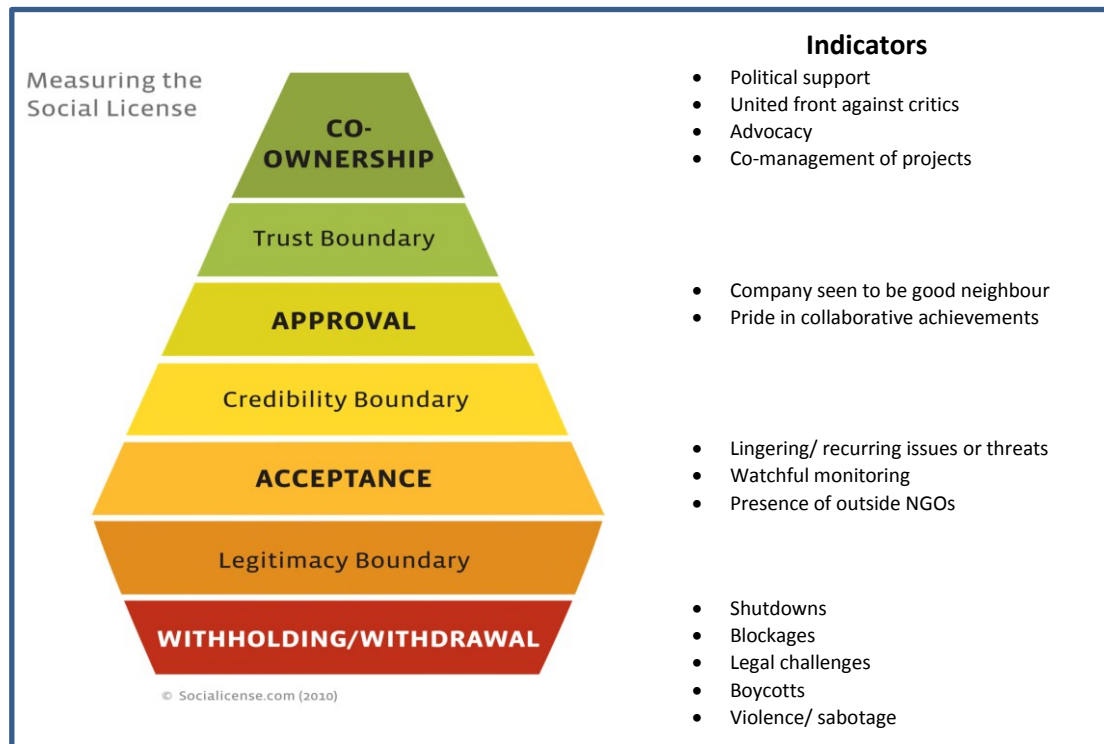
Often it is easier to consider what SLO is NOT. It is NOT:

- Granted by government or authorities
- Given in writing
- Permanent
- Based on a task, transaction, test or event
- Available for a ‘Fee’
- Transferable
- The same in every case

A conceptual model may be drawn to demonstrate the complex and fluid interactions required to earn and maintain the social licence (Figure 1). In this representation SLO is subject to four ‘benchmark’ levels of withdrawal, acceptance, approval and identification/ sense of ownership, which straddle three boundary conditions: legitimacy, credibility and trust.

The company must address the ‘soft’ boundary conditions to achieve the appropriate levels of ‘social licence’ at each stage of the project through pro-active engagement with host communities. The challenge is to negotiate these critical levels and traverse the ‘acceptance’ boundaries pragmatically throughout the project life cycle, to build legitimacy and credibility with the host community. This process provides a solid framework to build the critical boundary condition of trust. This form of open engagement maps and builds an understanding of the concerns of those most impacted, assesses potential impacts and demonstrates commitment to their mitigation and management. If

the SLO is 'earned', the developer may be expected to contribute to the social development of the community in which the company is planning to operate, which may demand a longer term



commitment with proactive participatory mechanisms to involve those most impacted throughout the project life.

Figure 1. Conceptual model for Social Licence to Operate – adapted from Thomson and Boutilier, 2011 and Anon, 2013.

If a company does not gain the SLO there will be consequences which may include:

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

Contexts of use, application fields	-> contexts (e.g., environmental, economic, social assessment) -> which types of stakeholder questions are concerned? -> link to published studies that implement the method
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Input parameters	-> which parameters are needed to run the method
Type(s) of related input data or knowledge needed and their possible source(s)	-> which types of data are needed to run the method, from which sources could they come... -> could be qualitative data or quantitative data, and also tacit knowledge, hybrid, etc.
Model used (if any, geological mathematical, heuristic...)	-> e.g., geological model for mapping -> e.g., mathematical model such as mass balancing, matrix inversion, can be stepwise such as agent-based models, dynamic including time or quasidynamic specifying time series... -> can also be a scenario
System and/or parameters considered	-> the system can be described by its boundaries. These can refer to a geographic location, like a country, or a city, the time period involved, products, materials, processes etc. involved, like flows and stocks of copper, or the cradle-to-grave chain of a cell phone, or the car fleet, or the construction sector, or the whole economy... -> parameters could possibly refer to geographic co-ordinates, scale, commodities considered, genesis of ore deposits and others...
Time / Space / Resolution / Accuracy / Plausibility...	-> to which spatio-temporal domain it applies, with which resolution and/or accuracy (e.g., near future, EU 28, 1 year, country/regional/local level...) -> for foresight methods can also be plausibility, legitimacy and credibility...

Temporal extent: Present to future

Temporal resolution: resolution for societal issues measured in years and decades.

Spatial extent: Continental Europe scale

Spatial resolution: resolution of specific projects requiring a social licence to operate.

Accuracy/ plausibility: Individual project engagements are needed to provide credibility and legitimacy as a starting point for obtaining a SLO.

Indicators / Outputs / Units

-> this refers to what the method is actually meant for. Units are an important part but that is most of the time not sufficient to express the meaning. For example, **the indicators used in LCA express the cradle-to-grave environmental impacts of a product or service.** This can be expressed in kg CO₂-equivalent. But also in €. Or in millipoints. Or in m²year land use.
-> for foresight methods the outputs are products or processes

Treatment of uncertainty, verification, validation

-> evaluation of the uncertainty related to this method, how it can be calculated/estimated

Main publications / references

-> e.g. , ILCD handbook on LCA, standards (e.g. , ISO)
-> can include reference to websites/pages
-> references to be entered with their DOI

Anon., (2013). Social Licence to Operate Paper. Published by Sustainable Business Council and BusinessNZ Major Companies' Group. 27pp.

Batel, S., Devine-Wright, P. and Tangeland, T. (2013). Social acceptance of low carbon energy and associated infrastructures: A critical discussion. Energy Policy 58, 1-5.

Geological Survey of Ireland report on the Public Perception of Geoscience, including a literature review annex. <http://www.gsi.ie/Research/Public+Perception+of+Geoscience.htm>

Department of Trade, Enterprise and Employment, "Good for Business, Good for the Economy, Ireland's National Plan on Corporate Social Responsibility".

<https://www.djei.ie/en/Publications/Publication-files/Good-for-business-Good-for-the-community.pdf>

Thomson, I. & Boutilier, R. G. (2011). Social license to operate. In P.Darling (Ed.), SME Mining Engineering Handbook (pp. 1779-1796). Littleton, CO: Society for Mining, Metallurgy and Exploration.

Wüstenhagen, R., Wolsink, M. and Bürer, M. J. (2007). Social acceptance of renewable energy innovation: An introduction to the concept. Energy Policy 35, 2683–2691.

Related methods	-> List of comparable methods, their particularities... -> link to one or several other existing fact sheet(s)
Some examples of operational tools (CAUTION, this list is not exhaustive)	-> e.g., software... Only give a listing and a reference (publication, website/page...) -> should be provided only if ALL main actors are properly cited
Key relevant contacts	-> list of relevant types of organisations that could provide further expertise and help with the methods described above.

National Geological Surveys