Viewpoint

Corporate affairs and the conquest of social performance in mining

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ABSTRACT

Against a vast backdrop of regulation, and increasingly strong calls for industry change, major social and environmental incidents in mining continue to occur. There is resistance among major companies to the idea that restructuring their organisations will have any positive effect on their social performance. Our interest is in whether the structural positioning of social performance enables or prevents companies from governing their social and legal obligations. This includes the commitment to do no harm. Internal turf wars between social performance and corporate affairs reflect the difficulties that mining company executives confront in attempting to maintain production and contain corporate self-interest. What manifests structurally is a clear representation of how companies make sense of their priorities and the priorities of others. That companies would seek to limit inquiry into their own governance structures is even more reason to investigate.

1. Introduction

We argue that the organisational position and influence of social performance is a central factor in determining whether a mining company is able to internally govern its social and legal obligations. It is the responsibility of mining companies to comply with laws and to meet their stated commitments to stakeholders. To understand the range of a company's formal responsibilities, one can review conditions of project approvals and permits, agreements with local people, corporate policies and operating procedures, along with the increasing body of internationally agreed frameworks that put human rights at their core. Many of these responsibilities are attached to material concerns about the harm and consequences of mining on people and the environment. Research shows that social and environmental complexity is increasing and stakeholders are more active in their demands for transparent and tangible expressions of corporate social responsibility (Lebre et al., 2019; Valenta et al., 2019).

Against this backdrop of regulation and fast escalating expectations for meaningful corporate social responsibility, major social and environmental incidents continue to occur. Inquiries into industrial disasters are almost unanimous in their conclusions: extractive companies often have the opportunity to prevent these incidents, but organisational factors inhibit the flow of information (Hopkins, 2008). If the organisational structure prevents companies from meeting their social and legal obligations, then we either need to concede that corporate commitments are empty, or that structural change is urgently required.

The industry's approach to exercising responsibility currently rests on building internal management systems and the competency of individuals. There is resistance among companies to the idea that restructuring their organisations will have any positive effect on their social performance and that the debate about organisational factors should be "put to rest". Recent catastrophic incidents involving mining companies – including tailings facility failures in Canada and Brazil, and the destruction of significant indigenous cultural heritage in Australia – demonstrate the relevance of organisational structures in the cause and prevention of these types of events.

Social performance focuses on project-affected people – those people living on or otherwise connected to land where minerals are unearthed and processed, and where waste is generated and emplaced. In our book *Extractive Relations: Countervailing Power and the Global Mining Industry* (Owen and Kemp, 2017), we asked if governments would not provide adequate safeguards, and it was unreasonable to ask local people to serve as a regulatory backstop, is it reasonable to ask the industry to internalise its social responsibilities? Accepting the idea that companies should not be able to externalise the cost of managing mining-induced impacts demands some kind of internal counter-measure. We have suggested the creation of an "internal analogue" where the logic, cost and burden of managing impacts and responsibilities resides within the limits of the organisation.

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2. The rise of social performance

Since its arrival on the corporate mining scene 30 years ago, the "community relations" and later the "social performance" function has been an uneasy fit. Originally appended to Environment, and then Health, Safety and Environment to form a "HSEC" (or "SHEC") function, the work was initially anchored to assets, reporting to mine general managers (GM). These early configurations reflected state regulatory frameworks that required companies to identify potential hazards caused by the project using environmental and impact assessments (EIA) and associated plans. The logic was that communities or social performance work was most effective in matters relating to land access and local impacts. In order to pre-empt, design out, or respond to impacts, operations would need to be attuned to the social dynamics of land and other contextual factors.

As international instruments affirmed the rights of project-affected peoples and global non-government organisation (NGO) campaigns exposed mining companies as abusers of peoples' rights, corporations became more sensitive to reputational risk. For a brief moment social performance was necessary for addressing the root cause of allegations and issues. When local issues were thrust on to the global stage, social performance found itself interfacing with "fixer functions", such as corporate affairs. As social performance specialists at site and in corporate offices spoke up to suggest that company behaviour may indeed have been questionable, and that concessions, or compensation, may be warranted. It became apparent that the social performance function could in fact become a risk to the business. To contain the risk of an internal function eroding the corporation's ability to deny and dominate, social performance has become buried within corporate affairs – one of the core functions in greatest need of countervailance.

3. Conquest and demise

The implications of this arrangement are too serious to simply put to rest. In most of the major global mining companies, corporate affairs has been elevated to executive committees as a powerful "portfolio" function that includes media, marketing communications, sustainability reporting, government and sometimes investor relations. This configuration sees corporate affairs filter and control what is brought before the upper echelons of the company. Spurred by the rise of globalisation and information technology, corporate affairs has built a vast repertoire to face countervailing power, and rebut threats to corporate self-interest head on. The standard corporate affairs mandate is to deflect negative attention, and replace criticism with a positive narrative. We observe that reporting of downside risk in sustainability reports is at an all-time low, while proclamations of contribution are at an all-time high. This paradox raises three specific problems that speak to the essence of corporate social responsibility and what we have previously noted as the demise of social performance in mining (Kemp and Owen, 2018).

First, placing social performance within the remit of corporate affairs is a reflex action by companies aimed at protecting their self-interests. The reflex appears to provide companies with control over how the narrative of risk and responsibility is recorded and communicated (Harvey, 2017). As the portfolio lead under the current arrangements, corporate affairs has come to hold ultimate authority over defining "social risk" and differentiating between risk to people, and risk to projects (Kemp et al., 2016). The corporate affairs remit is no longer confined to countering reputational risk using upside media; corporate affairs now holds formal responsibility for determining what qualifies as a social risk, how the business should understand that risk, and finally how and when it is handled. The structure serves to erase opposition: from drowning out community and advocate voices in the external sphere (Bebbington and Humphreys Bebbington, 2018), through to approaching the social performance function as an agent of risk to the business (Kemp and Owen, 2018). In *Extractive Relations*, we argued

against this exact predicament: that in working to make the business impervious to social expressions of risk, the company imposes risk on others, which invariably leads to harm and conflict. Again, the cost of conflict and escalation falls disproportionately on those who are most affected.

Second, this structural arrangement serves to put different internal interests in direct conflict, without a clear pathway for resolution. Under the banner of corporate affairs, social performance can simultaneously be charged with securing land access, supporting project development, bolstering or protecting corporate reputation, and demonstrating respect for people's rights. What happens when these priorities are brought into conflict? At mine sites, production trumps most other priorities. When social performance issues arise – in relation to land access, interactions with indigenous peoples, or over the protection of heritage – these are first managed through the prism of operational priorities, which falls under the immediate purview of GMs. When issues intensify, elevation then occurs through corporate affairs. The structural positioning leaves the social performance function stranded in the very locations where a strong presence is most needed to avoid harms to local people.

Third, alternative options exist. Social performance could, for example, hold an independent portfolio with site-based resources and authority to influence operational matters. The portfolio could be headed by a senior lead that reports directly to the CEO and the Board. The question is: why is this preferable? A first order advantage is that relevant issues and information can flow directly through the organisation without being diluted, re-framed or mis-described by non-specialists. Companies frequently find themselves challenged by complex issues that have escalated or worsened due to internal mismanagement. Unless the complexity of social risk is understood and managed by those driving large-scale mineral development, projects and operations will generate unnecessary risks and liabilities for all parties. Recent examples suggest that when major social incidents have occurred, the blow-back from stakeholders later requires corporate affairs to go into overdrive to 'protect' the corporation. This is often a direct outcome of the business putting a set of priorities forward while other declared priorities are managed to the point of failure.

4. Conclusion

Organisational structure is a management choice. Structures are not imposed but created by boards, executives and management teams to reflect an organisation's priorities and objectives. Our interest is in whether the positioning of social performance enables or prevents companies in terms of achieving their stated commitments. This includes the commitment to do no harm. Industry willingness to examine the position and influence of social performance within their existing business structures is at an all-time low. Internal turf wars reflect the difficulties that mining companies confront in attempting to contain their own self interests. What manifests structurally is a clear representation of how companies make sense of their priorities and the priorities of others. That companies would seek to limit enquiry into their governance structures is even more reason to investigate.

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