



THE UNIVERSITY  
OF QUEENSLAND  
AUSTRALIA

CREATE CHANGE

# Establishing the foundations for effective social performance in the global mining industry

Centre for Social Responsibility in Mining  
Sustainable Minerals Institute

14 January 2019

# About this presentation

## What is this presentation?

Summarises the paper, '**Establishing the foundations for effective social performance in the global mining industry**'.\*

## Intended audience

The paper (and this summary presentation) is intended to provide guidance to mining companies.

## Related work

The paper is a preliminary output to support the UQ-funded study entitled, *A Global Review of Communities and Social Performance in the Mining Sector*.

\* Kemp, D. and J.R. Owen (2019). Establishing the foundations for effective social performance in the global mining industry. Centre for Social Responsibility in Mining, Sustainable Minerals Institute, The University of Queensland: Brisbane. Available online at [www.csrmi.uq.edu.au/publications/establishing-the-foundations-for-effective-social-performance-in-the-global-mining-industry](http://www.csrmi.uq.edu.au/publications/establishing-the-foundations-for-effective-social-performance-in-the-global-mining-industry).

# Overview of presentation

## 1 Why focus on social performance?

Drivers for social performance:

- International instruments & standards
- Country-level regulatory systems
- Community-level expectations
- Rapid social & technological change

## 2 Defining social performance

- A function with technical dimensions requiring specialist social science expertise
- Aims to reduce harm to people, and enable value creation
- The mine–community **interface** is where social performance ‘happens’

## 3 Foundational elements for social performance

A technically capable social performance function requires:

1. An **understanding** of the broader mining business
2. Organisational **capacity** to undertake social performance
3. Application of **social science methods** and modes of analysis
4. Ability to **influence** mainstream business processes

## 4 Organising for social performance

Key concepts:

- **Compatibility:** between social performance function, organisation & host environment
- **Commensurability:** level of resourcing is commensurable across the company, and appropriate to risk and opportunity
- **Contingency:** ability to address new events & technical demands

# 1 Why focus on social performance?

# Drivers for social performance

## International instruments & standards

Evolving set of standards for assessing risks to project and people:

- IFC Performance Standards on Environmental and Social Sustainability
- United Nations Guiding Principles on Business and Human Rights
- Voluntary Principles on Security and Human Rights
- International Council on Mining and Metals (ICMM) 10 Principles

## Country-level systems

Country-level mechanisms reflect developments in the international arena. They require companies to understand and equitably distribute risks.

Examples:

- Companies often required to undertake a satisfactory social impact assessment as a condition of project approval.
- Some countries require companies to allocate a percentage of profits to social infrastructure and community development activities.

# Drivers for social performance *(cont'd)*

## Community expectations

Host communities expect:

- An equitable share of benefits
- Responsible behaviour by mine operators

Communities and civil society organisations often campaign against projects, leading to project delays and reputational exposure.

## Social & technological change

Technological innovations (such as automation) are changing how mining interacts with workers, suppliers and communities.

Social media, hand-held devices, and real-time broadcasting can shine a spotlight on companies' behaviour and interactions with people and communities.

Social performance helps companies adapt to technological and social change.

## 2 Defining social performance

# Social performance is a technical discipline

- Social performance has important technical dimensions and involves far more than interacting with people.
- **Social performance is a data-driven discipline.** It involves:
  - Designing robust and rigorous data-gathering programs
  - Analysis of social data
  - Contribution to whole-of-business decisions on the basis of evidence
  - Monitoring and evaluation to ensure business decisions adapt to changes in the social context.
- **Social performance requires qualified and experienced individuals**, who are in a position to interact with and influence other parts of the business. In this sense, no different from other functions.



# Purpose of social performance, as a function

## View 1

Social performance enables **business as usual**

Social performance is undertaken to:

- Secure & maintain operational access
- Deliver on production targets
- Reduce cost and maximise profit.

This view leads to a **reactive, ‘fire-fighting’ approach**.

A **transactional, often adversarial relationship** develops between company and communities.

Companies would **struggle to meet social performance obligations**, because a nuanced understanding of the social context is not attained.

## View 2

Social performance enables **business as better**

Social performance is undertaken to:

- Understand social change and impacts
- Avoid harm and mitigate risk to other parties
- Avoid unfair cost externalisation to other parties.

This view is more than merely doing ‘good deeds’ in isolation from impact management.

Companies **actively engage with stakeholders** to create value. They recognise that **engaging with complexity** as essential to ‘unlocking’ new mineral resources without unleashing unacceptable social and environmental impacts.

Social performance is **planned** and **adequately resourced**.

# The primary arena for social performance

When engaging a host community, a social performance function considers many factors, including:

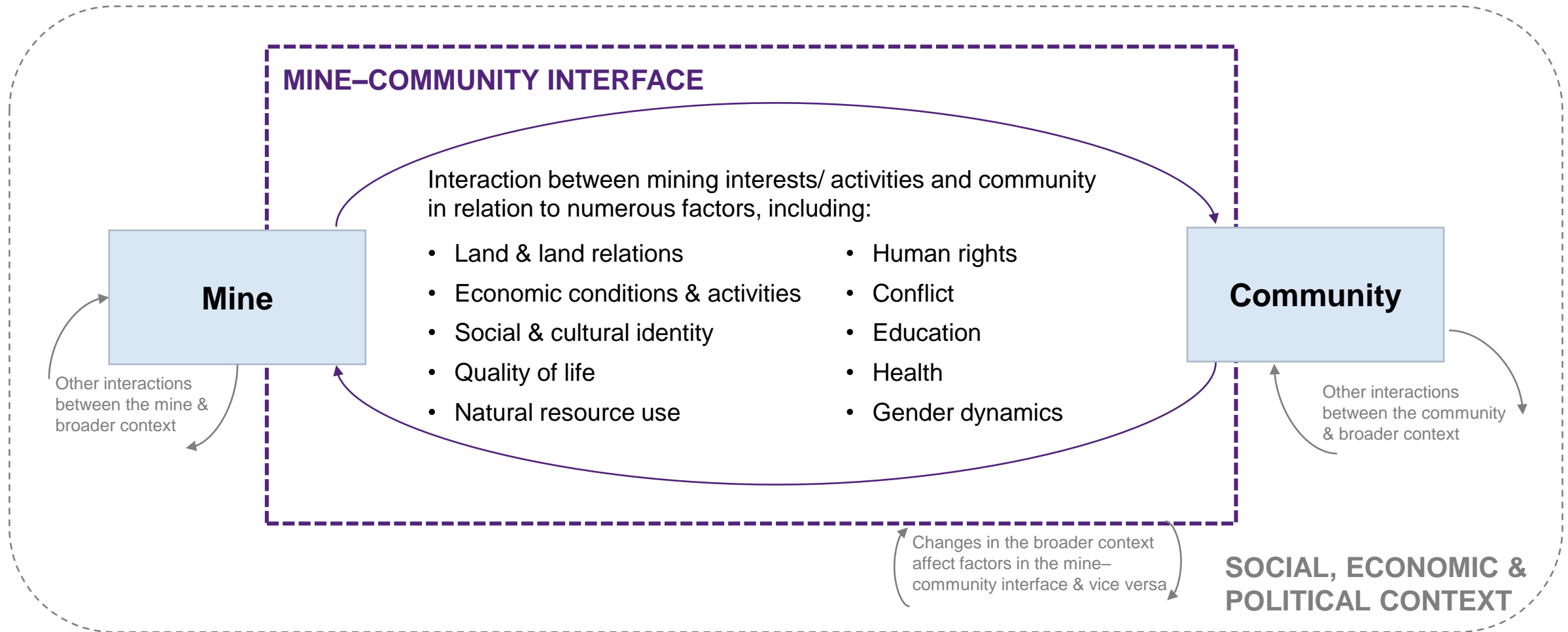
- Land and land relations
- Economic conditions and activities
- Social and cultural identity
- Quality of life
- Natural resource use
- Human rights
- Conflict
- Education
- Health
- Gender dynamics

The interaction between these factors and mining creates the **mine–community interface**.

The mine–community interface is the primary arena for social performance. It is the focal point for engagement and interaction between parties, and for companies and communities when responding to risks generated by other parties.

Changes in the company’s activities or in the host context directly affect the form and function of this interface.

# Schematic representing the mine–community interface



# 3 Four foundational elements of a technically capable social performance function

# Foundation elements

A technically capable social performance function requires four foundational elements:

- 1 The social performance function must **understand the broader mining business.**
- 2 The company must source appropriate capacity in **specialist domains of work.**
- 3 **Social science methods** and modes of analysis need to be used.
- 4 The social performance function must be able to **influence mainstream business processes.**

# Element 1 – Understanding broader mining business

- The more a social performance practitioner understands mining, the more capable they will be in predicting the impact on the host context.
- **Companies need to treat social performance practitioners, and the social performance function, as an integral component of the overall mining ‘team’.**
- Companies should provide opportunities for social performance practitioners to learn about, and be updated on, key factors influencing mining businesses.

## Factors in broader mining business – examples

Commodity markets    Budget cycles    Project planning    Logistics corridors  
Supply & demand    New technologies    Life cycle stages    Lease arrangements  
Mining types    Processing techniques    Mergers & acquisitions

*Social performance practitioners need to be cognisant of a broad range of issues affecting mining businesses – not just social issues.*

## Element 2 – Specialist practice domains

- Identifying and assessing impacts requires precise and nuanced knowledge of the host community.
- **Specialist expertise helps companies avoid erroneous assumptions about social context.**
- *Example:*
  - A company receives few community grievances. This could indicate good performance, OR that the company has failed to invest in diagnostic capabilities.
  - Numerous reported grievances could mean poor performance, OR reflect a well-designed process that is addressing legacy issues.
- Accurate interpretation requires expertise.

*Social performance will include expertise across a range of specialist domains*

### **Specialist domains in social performance – examples**

Artisanal & small-scale mining  
In-migration  
Indigenous & land-connected people  
Resettlement  
Community engagement  
Community health & safety  
Local & regional economic development  
Local employment & supply  
Security  
Human rights  
Gender & diversity  
Conflict & grievance handling  
Cultural heritage  
Negotiation & agreement processes

## Element 3 – Social science methods

- Social performance requires assessment of ‘baseline conditions’ of the social context. This is a data-driven function.
- Social science methods include:
  - Remote sensing
  - Mapping
  - Transect walks
  - Direct observation
  - Interviews and surveys
  - Focus groups.
- Social performance is a process of discovery that should commence at the outset of a project, and continue through the life of mine.

---

Data collection in social performance should not be an intuitive, opinion-based activity.

Social performance should be as systematic, disciplined, and thorough as any other part of the mining business.

---



# Element 4 – Influencing mainstream business processes

- Sound business decision-making requires consideration of all relevant inputs – including social performance.
- **Social performance data must be included in information management systems** that are used to make business decisions. Companies will under-perform when social performance data is unavailable.
- **The social performance function should be engaged in discussions about the performance and future direction of the business.** Poor outcomes and high risks to company and communities arise when social performance data is sought only *after* decisions have been made.

## Decision-making in broader mining business

*Social performance practitioners are cognisant of issues in broader mining business – Element 1*

*A capable social performance function 'feeds in' specialist expertise to inform business decision-making.*

## Specialist domains in social performance

*Social performance function builds deep expertise – Elements 2 & 3*

# Where does social performance fit in the company structure?

- A technically competent function may struggle to achieve sound outcomes if it is inappropriately situated in the organisation hierarchy. Finding an appropriate organisational 'home' for social performance is difficult, because it cuts across numerous disciplines.
- Across the mining industry, social performance has been grouped effectively with:
  - Health, safety and environment
  - Security
  - Communications and stakeholder engagement
  - External affairs
  - Community development
- **Social performance should not be grouped under corporate communications, public affairs, or brand management.** These functions are focused on building the reputation and interests of the business, whereas social performance is primarily focused on understanding how the business affects the interests of other parties. They are fundamentally different mandates.

# 4 Improving social performance: Three concepts for refining technical capability

# Three concepts for refining technical capability

Companies can use three concepts to refine their approach to social performance.

Concept	Description
<b>Compatibility</b>	Whether the social performance function is able to work with other business units and stakeholders, in a manner that meets the company's social performance objectives.
<b>Commensurability</b>	Whether the level of resourcing allocated to the social performance function is proportional (a) across different levels of an organisation; (b) to the challenges at hand; and (c) to the mining-induced change anticipated.
<b>Contingency</b>	Whether the company is able to adjust its approach to deal with contingencies, such as transitions in mine life cycles and historical 'legacy' issues.

# Compatibility

## What does compatibility mean?

Compatibility is the ability of the social performance function to work with other business units and stakeholders, to achieve the company's objectives.

Three compatibilities are highlighted and explored.

### Operational compatibility

How well does social performance support other business units?

### Social performance as a counterbalance

Is the social performance function able to 'check' and 'balance' other business units to avoid social harm?

### Compatibility with external environment

How well does the social performance function work with stakeholders external to the company?

# Compatibility

## Operational compatibility

The social performance function must have expertise and capability to match what other business units seek to achieve.

### *Example*

A human resources department develops an indigenous employment strategy. A capable social performance function would:

- Have access to expertise about indigenous peoples
- Be able to mobilise that expertise to complement the strategy.

If both of these are fulfilled, then the social performance function is operationally compatible with the strategy.

# Compatibility

## Ability to counter-balance

- Social performance sometimes operates to counter-balance the momentum of other business units.
- A counter-balance is desirable if the business risks acting in ways that may cause harm, diminish underlying value, or hinder the project in the long-term.
- In order to be a counter-balance, the social performance function must be formidable, and challenge high-level decision-making where required.

## *Example*

A mining department in a company seeks to gain rapid land access to enable operational expansion. It is motivated by increases in commodity price.

A capable social performance function would:

- Be able to advocate for a process that establishes an understanding of pre-expansion conditions *before* the expansion is designed
- If necessary, contend with the mining department's opportunistic tendencies and slow project momentum to avoid harm, diminution of underlying value, or long-term hinderance to the project.

A social performance function must be able to act as a counter-balance in order to be considered capable.

# Compatibility

## Compatibility with external environment

The social performance function must be able to engage external stakeholders in the mine–community interface.

This requires:

- Good working knowledge of how and why external activities are interacting with mining
- Mandate and resources to uphold commitments made by the company to other parties.

### *Example*

A mining project is situated in an area with a high level of direct interaction with the host community. Such interactions entail shared uses of the lease area for a range of purposes, including:

- Co-habitation
- Agriculture
- Artisanal mining
- Ceremonial or cultural sites.

A capable social performance function must understand how mining impacts these uses – and vice versa. It must have the ability to engage, negotiate, and ensure commitments made to landowners and other stakeholders are upheld.



# Commensurability

## What does 'commensurability' mean?

Commensurability is a measure of the level of resourcing allocated to the social performance function, relative to the scope of the social performance challenges faced.

(Compatibility is about matching *capabilities*; commensurability is about the *size of the company's investment* in social performance.)

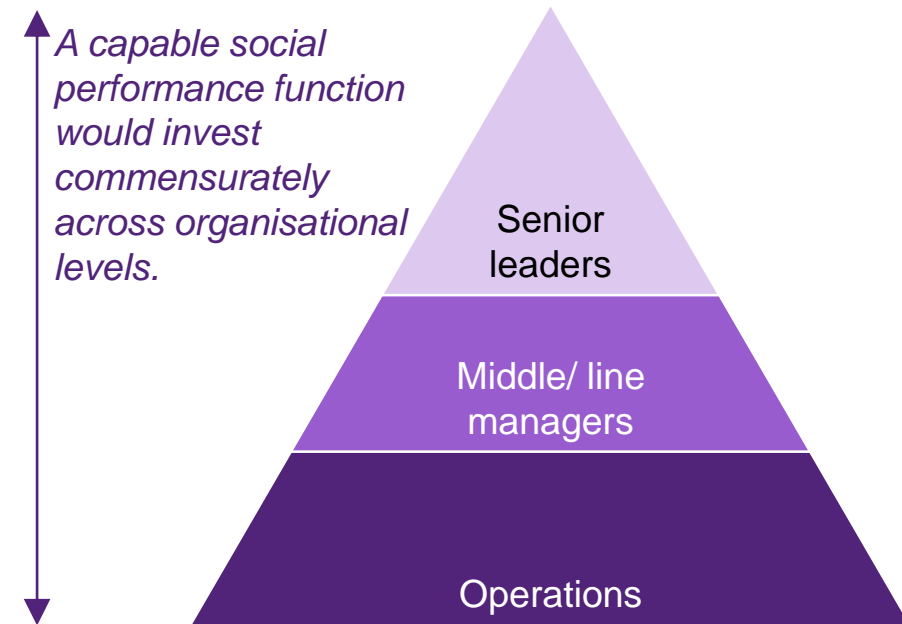
Three aspects of commensurability are highlighted:

- Commensurate investment across the organisation
- Investment commensurate with the challenges at hand
- Investment proportional to mining-induced change.

# Commensurability

## Commensurate investment across the organisation

- A capable social performance function must involve commensurate investment at different levels of the organisation.
- Such commensurability allows coordinated effectiveness from site-level to executive-level.
- Conversely, consider two scenarios of *incommensurability*:
  - Site-based practitioners are capable, but senior executives do not have appropriate social performance awareness and skill. Judgments made by senior executives would negatively impact site-based practitioners.
  - Senior leaders are capable, but projects and operations have capability gaps. Senior leaders would lack the evidence base for making defensible decisions.



# Commensurability

## Commensurate with challenges at hand

- A capable social performance function must involve investment in expertise and capability commensurate with the challenge at hand.
- Commensurability here means **commensurate with the type of studies required to understand other, physical aspects of the project.**
- Often, investment in understanding social performance aspects of a mining project is cursory in comparison with other study areas. Avoiding this *incommensurability* is part of refining a company's social performance function.

### *Example*

A company operates in an agrarian community, which relies on a particular water source. The water source may be put at risk by the project.

If the company has a capable social performance function, then it would invest in understanding risks and impacts from customary, livelihood, and human rights perspectives.

The investment in social performance aspects would be commensurate with physical studies, such as hydrology, water quality, agronomy, and biodiversity.

# Commensurability

## Proportional to mining-induced change

- The larger the social change brought by mining, the bigger the investment needed to understand the nature of the change and how to manage it.
- **Investment in social performance must be commensurate to the changes triggered by mining in the social domain.**
- Some changes can *appear* far removed from the mine–community interface and yet have significant social impacts. Companies seeking to refine their social performance functions need to be alive to potential cause-and-effect, and invest commensurately.

## Example

A company introduces new technologies to their operations. In this case, the technology is automated haulage truck and rail systems.

These changes may *appear* internal to the mine only. But automation may:

- Reduce access to employment, training and business opportunities
- Create competition within the community for scarcer jobs
- Trigger unified dissatisfaction towards the company.

Automation may trigger significant social impacts, and therefore require commensurate investment in social performance to understand and manage such impacts.

# Contingency

## What does 'contingency' mean?

Contingency refers to the ability of an organisation to adjust its approach to deal with future circumstances that cannot be predicted with certainty (contingencies).

Three contingencies are highlighted:

- Timing and transitions between lifecycle stages
- State of company-community relations
- Outstanding legacy issues.

These are contingencies because they involve heightened uncertainty as to social impacts.

# Contingency

## Three illustrative contingencies

While not exhaustive, the three contingencies described below require careful attention from social performance practitioners. Given the uncertainty of outcomes in contingencies, a capable social performance function will assess and plan for multiple sets of events.

Aspect of contingency	Description
<b>Timing &amp; transitions between lifecycle stages</b>	Transitions between mine lifecycle stages require careful attention – both for teams working at site level and for stakeholders whose property or livelihood may be dependant on or intertwined with a mine’s development.
<b>State of company-community relations</b>	That relationship between company and community will change in response to how the business manages its current and future planning horizons, and also to the manner in which it has accounted for and reconciled issues from the past.
<b>Outstanding legacy issues</b>	Project legacies increase the level of complexity in the planning and implementing of mining initiatives. Such complexity needs to be included in early planning to identify their effect on timing, cost, and future impacts.

## 4 Improving social performance: *(cont'd)* Key questions for organisations

# 10 prompt questions about the social performance function

Companies that are interested in establishing the foundations for effective social performance, and ultimately achieving **technical excellence**, may want to use questions such as those listed below to prompt and facilitate organisational alignment.

- 1 What types of knowledge are most valued by the company when establishing their social performance functions?
- 2 What balance of knowledge and technical capability does the company strive for when considering the internal and external demands placed on the social performance function?
- 3 What organisational configurations are best suited to supporting compatibility across business functions?
- 4 How can the company test for compatibility within their business?
- 5 What level of investment in capability is needed to achieve commensurability for social performance?
- 6 How does a lack of commensurability in the social function of the business affect overall capability and performance?
- 7 What avenues are available to ensure that social performance capability is commensurate with emerging demand?
- 8 Where in the project's life-cycle is the social performance capability being activated (or not)?
- 9 At what point in the project's history are social performance activities being designed, scheduled or implemented?
- 10 How do legacy issues affect a company's ability to establish and grow their social performance capability?





THE UNIVERSITY  
OF QUEENSLAND  
AUSTRALIA

CREATE CHANGE

# Contact

Professor Deanna Kemp  
Director, Centre for Social Responsibility in Mining  
Sustainable Minerals Institute

T +61 7 3346 4204

M +61 407 155 558

E [d.kemp@smi.uq.edu.au](mailto:d.kemp@smi.uq.edu.au)

[Wuq.edu.au](http://Wuq.edu.au)

CRICOS Provider Number 00025B