



# Exploring the concept of a Social Licence to Operate in the Australian minerals industry

Results from interviews with industry representatives

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# Executive summary

The last 35 years has seen the minerals industry come under intense pressure to change the way that business is conducted as societal values and attitudes toward the natural environment and industries that impact negatively on it have changed. What has become increasingly clear is that it is no longer enough to merely satisfy the formal licensing conditions to mine, it is necessary to also hold a 'social licence to operate' (SLO). Yet the nature and meaning of this term is not well understood.

This report summarises the results of 16 interviews with representatives from the Australian minerals industry and its representative bodies. These individuals had corporate-level responsibility for areas such as corporate social responsibility (CSR) and/or stakeholder relations within their organisations. Respondents were asked to respond to four broad questions:

- What do you understand by the term 'social licence to operate' in the context of the minerals industry?
- What does SLO look like in practice?
- How is SLO related to other concepts used within the industry such as sustainable development (SD) and corporate social responsibility (CSR)?
- How do you see the concept of SLO evolving into the future?

Interviews were transcribed, thematically analysed and a summary organised under the four research questions.

## **QUESTION 1: WHAT DO YOU UNDERSTAND BY THE TERM 'SOCIAL LICENCE TO OPERATE'?**

Respondents used definitions of SLO consistent with the literature; that it involves having the acceptance and approval (and perhaps support and consent) of local communities to operate. The construct was viewed as empowering for communities yet this power was recognised as limited with respect to influence over development. Holding a SLO was about 'going beyond compliance', reflecting a core difference between legal and social licences. The social licence was seen to be increasingly important as a prerequisite for gaining a formal licence, however. Finally, the intangible and impermanent nature of the SLO made it difficult, in the minds of respondents, to measure and monitor.

## **QUESTION 2: WHAT DOES SLO LOOK LIKE IN PRACTICE?**

Respondents found it easier to define when an operation did not have a social licence than when it did; for example, complaints from neighbours leading to political impositions or licence restrictions, blockades and community protests. The complexity of the formation and maintenance of a SLO was explored by respondents, with a SLO gained over time as relationships between company and community developed but easily and quickly lost. The role of trust in this dynamic set of relationships was emphasised, as was the need to be responsive to shifting community expectations of an operation across time.

In the minds of respondents, those communities that are local to an operation have greatest legitimacy in defining the terms of a SLO. However, the role of stakeholders extending beyond the immediate geographic area of operation in shaping and influencing, and perhaps even rejecting a SLO, was also discussed. State and national governments, Australian citizens, and non-local 'interest' groups were framed as part of this 'indirect' SLO.

### **QUESTION 3: HOW IS SLO RELATED TO OTHER CONCEPTS LIKE SD AND CSR?**

There were varied responses to this question, with little consensus. Some respondents viewed SLO, SD and CSR as interchangeable concepts. Others considered a SLO to be distinct from SD and CSR, with SD perhaps an umbrella term under which a SLO was described as the product of social sustainable development. Again however, the relational aspects of a SLO were viewed as its key differentiating feature and its most important element in the context of SD (as an umbrella term) and CSR (as a largely organisational and transactional construct).

### **QUESTION 4: HOW DO YOU SEE THE CONCEPT OF SLO EVOLVING INTO THE FUTURE?**

All respondents considered SLO to be a useful and important construct, even if the language around it may change over time. This was largely due to the expected increasing influence and expectations of communities affected by mining. SLO and the processes required to gain and hold it were predicted to become core business for companies as a result, and perhaps even a condition of formal legal approval. However, the notion of legislating a SLO was considered to be both counterproductive and very difficult. Finally, the future of the construct was framed as potentially transformative in the way that companies and communities might relate to each other. The opportunity considered by a number of respondents was to embrace an engagement model that was based in dialogue and participation, and was people-centred rather than transactional, business focused and paternalistic.

### **NEXT STEPS AND FUTURE RESEARCH**

This research represents the first detailed qualitative exploration of the SLO concept with representatives of the minerals industry in Australia. This work raises some important questions regarding the SLO concept which will be explored in future research, including:

- An extension of the current interview study to include community and government perspectives
- A national survey to explore the cross-scale and geographical nature of SLO, and
- A program of work focused on quantitatively measuring and modelling key elements of SLO in the extractive industries.

# Contents

Acknowledgements .....	iii
Executive summary.....	iv
1 Background to the research.....	1
1.1 Method .....	1
2 Interview responses and analysis.....	3
2.1 Question 1: What do you understand by the term ‘social licence to operate’ in the context of the minerals industry? .....	3
2.2 Question 2: What does SLO look like in practice? .....	6
2.3 Question 3: How is SLO related to other concepts used within the industry such as sustainable development and corporate social responsibility?.....	11
2.4 Question 4: How do you see the concept of SLO evolving into the future?.....	13
3 Conclusion .....	16
3.1 Next steps and future research .....	16
4 References.....	18

# 1 Background to the research

The last 35 years has seen the minerals industry come under intense pressure to change the way that business is conducted as societal values and attitudes toward the natural environment and industries that impact negatively on it have changed (Thomson & Joyce, 2006). The 1990s in particular saw a fundamental shift in the way that environmental and social impacts of the industry were perceived, with highly publicised tailings dam failures, chemical spills, and conflicts with communities impacting negatively on the industry's reputation (Schloss, 2002; see Thomson & Joyce, 2006 for a full review of this period). Concerns of society also translated into direct action against resource projects at a local level, with recent research demonstrating the high financial, opportunity, and personal costs of community conflict to mining companies and personnel (Davis & Franks, 2011).

What has become increasingly clear is that it is no longer enough to merely satisfy the formal licensing conditions to mine, it is necessary to also hold a 'social licence to operate' (SLO). Since it was first used by an executive of Placer Dome, Jim Cooney, at a 1997 World Bank meeting, the term has grown rapidly in use and pervasiveness. SLO is now used by a wide range of actors in the resources sector, including mining companies, civil society and non-governmental organisations, research institutions, governments, consultants, and in other industries (e.g. pulp and paper manufacturing (Gunningham, Kagan & Thornton, 2004); farming (Williams & Martin, 2011); and forestry (Edwards & Lacey, under review)).

Despite this usage of the term, the SLO construct has received very little critical analysis to date with respect to how it is defined, used or understood by these varied actors (see also Owen & Kemp, in press; Prno & Slocombe, 2012). This report represents a focus on the views of just one of these groups – mining industry representatives and stakeholders. As such, this report represents one output from a program of research currently underway within CSIRO to explore and critically assess the SLO construct, its relationship with other constructs such as sustainable development (SD) and corporate social responsibility (CSR), and its utility now and in the future in describing constructive relationships between minerals industry stakeholders at different scales. This interview study follows a critical narrative review of the SLO literature (Moffat, in preparation), a discourse analysis of the use of SLO in sustainability reporting by International Council on Mining and Metals (ICMM) member companies (Parsons & Moffat, under review), and an empirical test of a model of SLO (Moffat, Parsons & Lacey, 2011).

## 1.1 Method

### 1.1.1 RESEARCH PARTICIPANTS

A primary aim of the research was to ensure a representative sample of all of the major minerals companies and industry organisations operating in Australia<sup>1</sup>, resulting in a total 16 industry interviews being secured: nine with company representatives and seven with organisations that advocate for the industry. The latter group comprised six industry associations and peak bodies and one consulting firm acting in an advisory capacity to several minerals companies. Only one company that was approached was unavailable to participate. This mix of companies and industry organisations was selected to represent a broad perspective across the Australian minerals industry. A decision to stop interviewing was made when no new information was being gained from subsequent interviews.

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<sup>1</sup> An additional three interviews were conducted with non-mining industry stakeholders (i.e. those representing community and government interests but with a direct intersection with mining interests). However they were not included in this analysis or report which reflects only the views of the industry. A larger sample of these additional stakeholder groups will be interviewed at a later time so as to provide broader representation of this issue from multiple perspectives.

Respondents from within mining companies were selected on the basis of having corporate-level responsibility for CSR and/or stakeholder relations. This included management responsibility for a broad range of related areas from social responsibility and social impacts through to managing community relations in various sites of operation. Industry representatives tended to have broader responsibilities, with most employed in senior executive positions or overseeing portfolio areas related to those outlined above. Most interviews comprised a sole interviewee; one industry organisation, however, chose to put forward four staff jointly, although these were treated as one respondent for analytical purposes.

### **1.1.2 INTERVIEW METHOD**

Interviews were conducted utilising an interpretive method comprising a semi-structured interviewing approach in which four key questions were posed:

1. What do you understand by the term 'social licence to operate' in the context of the minerals industry?
2. What does SLO look like in practice?
3. How is SLO related to other concepts used within the industry such as sustainable development and corporate social responsibility?
4. How do you see the concept of SLO evolving into the future?

These questions were designed to elicit respondents' understandings of SLO in theory and in practice, and to explore the relationship between SLO and terms such as SD and CSR. Follow-up questions were asked as necessary. Respondents were provided with an information sheet and an informed consent form prior to the interview, to enable them to consider the topic in advance.

All interviews were conducted by telephone, with the exception of one respondent from an industry organisation, who was interviewed face-to-face. Interviews lasted 40 minutes on average, and were recorded and transcribed verbatim.

### **1.1.3 ANALYSIS AND ORGANISATION**

For the purpose of this report, interview transcripts were analysed for key themes and organised into four categories corresponding to the main interview questions. The two chief researchers on this project read all the transcripts, and analysed them for themes independently, before comparing these analyses. To ensure anonymity, the names of participating organisations have been replaced in the following findings section with a unique code: MI-1 to MI-16.

## 2 Interview responses and analysis

### 2.1 Question 1: What do you understand by the term ‘social licence to operate’ in the context of the minerals industry?

The aim of this question was to encourage respondents to think about how they understand SLO in theory, or as an abstract concept, within their organisations. The responses to this opening question revealed that not all organisations participating in this survey had adopted SLO as an official term. For example, while the term was recognised as having broad usage within the industry, some respondents indicated that they did not consider it an official term within their organisation whereas others indicated it was embedded in organisational policies or other official documents. However, despite this variance in official and unofficial use of the term, all respondents felt that there was a widespread understanding of the concept within industry, and some even suggested that this broad understanding extended to communities as well.

#### **APPROVAL, ACCEPTANCE AND SUPPORT**

Respondents used multiple terms to describe what they understood by SLO. However, a clear preference for terms such as approval, acceptance and support emerged in the descriptions of SLO. Quotes are italicised to emphasise key points or emerging themes in the responses.

“So we like to define social licence as the need to work with and gain the *approval and support* of local communities and other stakeholders.” (MI-2)

“But what it means to us is really the *support and acceptance* of the people that are impacted by or influenced by our activities and projects. And so we typically think about it from a community perspective.” (MI-9)

“I think that the good thing about social licence is that it implies a sense of *acceptance* from a community.” (MI-8)

Further, respondents appeared to consider that these forms of approval, acceptance and support occurred along a continuum, and in particular that acceptance or approval did not equate to universal agreement from a community.

“Clearly, there are examples...of open hostility against particular mining proposals, and you see that in the media on a regular basis. Now, that’s clearly not a place you want to be. But there’s also probably this tacit *approval* where people are not openly holding placards and welcoming you with open arms. But I think there’s this tacit approval that says, well, we can see the benefits, we can see the logic in the proposal and we’re comfortable in where this thing’s heading, as opposed to, oh, welcome, welcome, and throwing garlands around your neck. I think that’d probably be just as much of a concern as the alternative.” (MI-12)

“So there’s support, there’s indifference and then there’s objection. So how do you measure that – is indifference support or is it indifference? I don’t know, but certainly, the social licence is when you’ve got the community with you, wanting this thing to happen and wanting this thing to succeed. That’s what I believe it is. So that’s, what it looks like? It looks like you’ve got the local community *supporting* you.” (MI-13)

“...on balance, a positive influence on the community.” (MI-11)

#### **PERMISSION, CONSENT AND THE LIMITS OF COMMUNITY POWER**

In addition to these views some respondents explored other concepts such as permission and consent when describing their understanding of SLO. Permission, for example, was conceptualised as having both formal and informal components.

"I think social licence to operate is the *permission* that the community gives to an organisation to carry on activities nearby, or within the region." (MI-4)

"...it's ensuring that our communities give us *permission* to continue to operate." (MI-3)

"We can have a legal licence to operate but as we know from other examples across the industry, if you don't have that social licence to operate...you can have all the legal right in the world but unless you have that *formal and informal permission* to operate, then you may not be able to operate." (MI-7)

To a certain extent, some respondents also referred to a notion of community consent as forming part of their understanding of SLO.

"So social licence, we would say that we won't go ahead with an operation unless we actually have *the consent and the support* of local communities to do so." (MI-2)

"The most fundamental meaning to that term is getting community and government *consent* to carry out your activities." (MI-5)

However, regarding the use of consent to describe SLO, other respondents suggested this was a term more suited to the more formal government approvals process and not the informal community approvals process.

"I think *consent* is kind of strong. Consent to me...sounds quite formal...which is more around levels of conditions which are imposed by a regulatory authority." (MI-8)

"It's interesting because it might sound like that's the right thing that should happen, but in fact the *consent* you get is from the government." (MI-4)

This distinction was more explicitly highlighted by one respondent in particular who noted:

"And we did have community people for example, say "well if your social impact identifies too many impacts and we don't want you here, does that mean we get to say, 'see you later'"? And that's where it becomes difficult because the answer is, "well, no not necessarily". But it just means that we have to work harder to manage issues that are of concern. And so that's where...*there's not a formal consent point from a community perspective*. But if there's a process to ensure that any concerns they have or major impacts are managed well then that's as far as we've gotten in terms of formalising the influence around that licence to operate." (MI-9)

This response highlights the relationship between formal and informal processes, the limits of community power in shaping development and perhaps the boundaries of SLO itself. Invariably, SLO has appeal in the industry because it operates as a metaphor for the standard environmental or legal licence to operate. However, SLO also appears to be much more intangible and nuanced than a legal licence to operate.

## **SOCIAL VERSUS LEGAL LICENCES TO OPERATE**

Several respondents explored the potential intersections between the social and legal licences to operate. Some responses articulated this interconnection as SLO being something more akin to a company operating 'beyond compliance'; reflecting a commitment beyond legislative requirements.

"...it's certainly *more than the legal licence* which is created by government. It's a licence earned by companies from the stakeholders." (MI-13)

"I guess [this experience] led to identifying whole ranges of things the community wants to see happen that are *beyond legislative requirements*. So, I mean, if we want to improve our social licence to operate in that region then we'll need to meet those requirements that go beyond legislative requirements." (MI-15)

Other respondents also saw SLO as starting to be used to underpin the legal licence or approvals process.

"I think our management here are at least very aware that if we don't have our social licence proper then we won't be getting any approvals." (MI-1)

"...the government regulators are starting to use the term and starting to use it as a surrogate method of licensing, so you're starting to get "well you need to deal with the community, we don't want any aggravation from the community, therefore *you need to have the social licence to operate before we will licence you*"." (MI-13)

These responses suggest government is emerging as a key stakeholder in the SLO arena, making formal licensing at least partially contingent on meeting the needs of communities, or at least placating their concerns. While this approach may reflect a more integrated approach to complex multi-stakeholder developments by government, the combining of community relationships and formal licensing accountabilities is potentially problematic.

## **MEASURING THE SOCIAL LICENCE**

In discussing these parallels with the legal licence, the issue of measuring SLO was also explored. The licensing metaphor appeared to break down here as the intangible nature of a SLO and the clearly delineated boundaries of a legal licence were compared. This discussion revealed the limits and possibilities of the SLO concept, and the tensions that arise between the drive to measure and monitor, and to engage with context.

“I mean it’s hard enough to measure as it is...” (MI-15)

“...in a perfect world...you would have a community memorandum of understanding, you’d have some pretty clear metrics around things that are of interest to the community.” (MI-8)

“If you could clearly define the social licence, and clearly measure it in a quantitative way that enabled companies to make an assessment against those criteria, then it would be an easy process to follow. But a lot of it isn’t quantitative, it’s qualitative.” (MI-16)

“There is no one way of measuring it. Each company has a different way of operating and obviously it depends on the company’s heritage...it all depends on the project, the company, the community. (MI-14)

“...it demonstrates the complexity of trying to draw up a simple means of assessment when it comes to social issues, it’s very, very difficult to do in my opinion.” (MI-16)

These responses demonstrate that while the challenges of measuring SLO are well understood, and while clear metrics might be useful if they could be readily mapped alongside the management of a legal licence with its established conditions, there would be an inherent risk in standardising SLO through legislative or other measures, as such standardisation would not allow for flexibility or the ability to adapt to the needs of different communities or contexts. This theme continually surfaced throughout the interviews and reflects the need to strike an appropriate balance between process (e.g. formalising or legislating) and the relational aspects of working with communities.

## 2.2 Question 2: What does SLO look like in practice?

Following on from the more theoretical reflections on SLO, above, this question asked respondents to describe what SLO looks like in practice. This included exploring:

- How companies might know when they held a SLO
- The temporal aspects of a SLO
- How a SLO is managed and maintained on the ground, including the expectations associated with this, and
- The spatial and geographic boundaries of a SLO that define who is involved but also how this is starting to change.

One way respondents found it initially easy to begin talking about SLO in practice was to identify what it did not look like. In particular, a number of respondents identified that a high level of complaints, objections or protests provided clear evidence that they did not hold a SLO.

“Or if you don’t have a social licence to operate, what does that look like? It looks like complaints from neighbours, which then translates into political impositions or restrictions on operations, on licence.” (MI-4)

“...you wouldn’t be having protests or blockades, which would be stopping operations...it wouldn’t be having lots of complaints.” (MI-2)

While these respondents tended to note how an absence of SLO had clear impacts on operational performance, there also appeared to be a sense of recognition that a key part of holding a SLO involved a capacity to be responsive to community concerns.

“You would actually have a system in place so if people were complaining they felt that those complaints were adequately addressed, and dealt with, and if they’re not then there’s an ongoing process of talking about it. And it’s about how you communicate effectively with people and deal with their concerns; having proper forums in place too, so people feel like there is a process where they can actually talk and be heard, that’s really, really important.” (MI-2)

“I think behaviour from a company which illustrates that it takes on board issues; that it responds to those issues, that it can see them coming, it communicates, engages, does all those things.” (MI-8)

This would indicate that the relational aspects of a SLO are very much embedded as part of the core practice of a SLO on the ground. Looking beyond the theoretical concepts about acceptance, approval and support that were explored in the responses to Question 1, all respondents expressed views that prioritised the engaged nature of a SLO. In practice, there appears to be a clear understanding of the critical role that being proactively engaged in company-community interactions plays and how this contributes to a SLO.

### IS SLO A BINARY CONCEPT?

Further, this idea of how a SLO comes to be formed provided an opportunity to explore some of the temporal aspects of the concept. That is, whether a SLO exists as a binary concept or whether it is a product of a more dynamic or iterative process. Interestingly, responses reflected that a SLO may be characterised by elements of both. For example, respondents noted that the process of earning a SLO tended to be more dynamic, with capacity in the relationship and trust developed across time and with it, a SLO.

“You know they might be absolutely in opposition to a mining operation, but through information, engagement and a process, their view might change [but] they don’t suddenly say, “You now have a social licence to operate”.” (MI-7)

“So it is something that from an individual company side of things, I think you would be looking at building that social licence to operate over time...to build that social acceptance of a project. It really has to be earned over time.” (MI-14)

“So, having a decent dialogue around all that and then providing a package that people, at the end of the day say, “Yeah, that looks like a reasonable return for us on the basis of what it is where we’re being asked to

agree to.” So, the agreement itself, is a manifestation of the social licence, but is not in and of itself the social licence, if that makes sense.” (MI-6)

However, respondents also expressed the view that there was the potential to lose a SLO very quickly. For example, some respondents observed that depending on the nature of the issue in question or its seriousness, a SLO might be withdrawn by community quite rapidly.

“The only thing I’d mention is, that idea that social licence to operate doesn’t need to be endorsed year to year, but it can be lost almost instantly.” (MI-11)

The fragility and intangibility of the SLO was further evident in the comments of respondents, with the nature of an operation’s SLO constantly shifting and evolving and difficult to assess at any given moment.

“You never know you’ve got the social licence. You’re renewing that licence every day and I think when you understand that, it becomes a lot easier to practice it.” (MI-5)

“...the social licence is something that has to be continually renewed. It’s a perception which is variable across time and amongst stakeholder groups and it will change in response to different issues, in response to the context, in response to the action that any one or a number of actors in a stakeholder network might take. So, we do emphasise...that it’s a variable phenomenon. If a company were to take it literally to the point that they think it’s possible to earn it, and then it’s static and you’ve got it for all time, they’ve missed the point.” (MI-10)

These responses highlight how day to day interactions and changes within both communities and broader social views can shape a SLO. The nuanced nature of these ongoing relationships and interactions, including those ideas of absence and presence, and the disputes and re-negotiations that are likely to happen in the course of this relationship are reflected in the following responses:

“...I think you can have different levels of trust” (MI-8)

“It’s certainly dynamic. And also, you have it or you don’t. I think you need to look at it over a period of time. Because, you can have your social licence to operate, but then in the midst of a major argument you might have a temporary stay in your licence if you like...So, from my point of view, the arrangements we have in place have been successful. We have a licence to operate because we’ve been there for 15 years and the gates are still open, and the place is still running, which doesn’t mean that we don’t have disputes or disagreements along the way.” (MI-6)

These responses would imply that a SLO does not exist as something so simplistic as a ‘stamp of community approval’, but rather that it reflects an ongoing and negotiated process where a community objection of one element of a project does not necessarily mean that full support is being threatened or withdrawn. While a first stage analysis of SLO might reasonably ask if it is present or absent, an examination of its existence requires attention to a range of nuanced and changing relational aspects. In many cases, communities will hold a range of views about an operation and this also means that developing a SLO will take some time, and individual community members are likely to respond differently to that process:

“...we think that you slowly do see a community shifting and it’s when they come to terms with, I think, the change or the opportunity that a particular project brings. So some people will move more quickly to that change and that opportunity. Some people will move a bit later and some people might not move at all. So we do think that you can see a cycle of change.” (MI-9)

## **THE PROCESS OF MAINTAINING A SLO**

On the issue of maintaining an existing SLO, respondents shared a range of views on how they saw this happening. This revolved around methods of community engagement, and creating a dialogue with communities. Further, the importance of listening, engaging and participation was frequently emphasised.

“So, how do you know you’ve got it? I think it’s pretty much what sort of response you get from communities when you go out to engage with them and discuss them...I think the qualification comes in having enough people out there to engage with the communities.” (MI-6)

“...how do you maintain it? You work with the community.” (MI-13)

As part of reflecting on these processes of community engagement, many respondents also described their own existing organisational reporting requirements and the practices they engaged in to ensure they serviced their commitments to or relationships with local communities. However, respondents also recognised the importance of managing expectations as part of this process. In one way, this was seen as potentially useful in terms of understanding the shifting nature of SLO and how a company could work best with a community.

“So the expectations change and we obviously need to change with that.” (MI-7)

“...it’s more about getting community agreement and setting some very clear levels of what is expected from the community about how an organisation should operate and behave.” (MI-8)

However, respondents also expressed a need to work with the expectations of communities, and government to some extent, in order to identify and deliver outcomes that are realistic.

“...what the expectations of the communities are is that we employ their sons, their daughters, their husbands and their wives. Or we provide employment opportunities, and that we also support local businesses.” (MI-4)

“So it is a lot of about managing expectations and saying that it’s not all just about where we can put money. You know, it could also be about where can we help you lobby, do you want us to talk to the government more about something or raise awareness of something? So to try to think of different things.” (MI-1)

“Governments are quite happy that we supply power to communities, that we put in roads, that we build all the infrastructure that comes along with the development of a particular area. So I think there is a potential friction between what governments’ expectations are versus what companies’ expectations are, to some extent; probably the community gets caught up in that negotiation.” (MI-12)

## WHERE IS SLO LOCATED?

With regard to the idea of the spatial or geographic terms of SLO, some interesting tensions arose around these concepts. The majority of responses focused on the localised nature of SLO; emphasising relations with communities and stakeholders directly affected by mining operations.

“...the most important people, as far as social licence to operate, are the people who live near our operation, and are potentially impacted from an environmental or social perspective.” (MI-4)

“Our intention or our focus would probably be more on the local communities, making sure we get them on board.” (MI-2)

“...in my own mind I always try and narrow it down to the people, quite localised.” (MI-8)

Clearly at this level, managing the direct impacts on local communities is the core priority for respondents. Further to this, some respondents reflected on how the broader ‘licence to operate’ concept might work at a number of levels and in a range of contexts, working outwards from a more localised characterisation:

“I think that the social licence is granted or not at that local level. I think that next sort of ring of stakeholders if you’d like the local government, [state] government, the national government to me is more the business licence to operate. Because that tends to be more focused on certainly an environmental performance, but also, how you conduct yourself as a corporate citizen, paying your taxes. That’s all been more a regulatory arena...So, there is a nexus or a connection but, I think the social licence is local. And the business licence is the next step up the chain and then there’s a sort of what you might call a financial licence and your role in the share market, in banking, that sort of arena.” (MI-6)

This response highlights a clear view that there can be multiple ‘licences to operate’ in action; each focused on specific stakeholders and their associated needs.

This view of the extension of SLO in an upwards and outwards direction was explored by some respondents who spoke of how the local SLO was beginning to be extended to include communities that may not be directly affected by mining operations. This particular tension was reflected in the idea that there may be “direct and indirect SLO” (MI-11) suggesting that at the broader scale a role for SLO still exists (as opposed to those alternate business or financial ‘licences to operate’ as described above).

“It’s a licence earned by companies from the stakeholders. Now the stakeholders can be anyone and everyone, but I like to think of the local stakeholders, the local community – local landowners, local community. But it can be more than that, it can be the state, it can be the nation”. (MI-13)

“So, traditionally, we’d split [social licence to operate] into a) those directly affected, and then of course, b) political representatives of those affected...And then the other level would be c) the unaffected, removed parties, who almost purport to represent the locals or have totally separate ideological issues.” (MI-11)

“...you probably have local levels of social licence to operate in terms of the local communities where you’re operating. You also have regional or state levels where maybe state governments or state media and state interest groups, if you like, are operating and debating the issues and also the industry at a global level as well.” (MI-15)

In the above responses, there appears to be recognition that SLO may include a range of other stakeholders who may have a legitimate interest in an operation but may not be directly impacted by it. The tension in this extension of SLO to include additional non-local actors came, in the minds of respondents, when these multiple constituencies held competing views or were in conflict. For example, if a local community broadly supported a mining operation but distal interests did not. How these conflicts are managed and resolved, or who is a legitimate stakeholder in the SLO, is an area of emerging complexity for all concerned.

## THE ROLE OF GOVERNMENT

While all levels of government in Australia have clear roles to play in relation to mining activity, some respondents expressed concerns over whether government had a well understood role in the more informal and intangible space of SLO which tended to be earned by companies through goodwill and trust. Around this issue, some respondents expressed concern that perhaps the understandings of SLO held by government and industry might in fact be very different.

“I think government should stay right out of it, to be quite blunt. I think governments have a role in certain things but I don’t think they have a role in getting involved in companies earning social licence.” (MI-12)

“I mean, [government] becomes a party to this social licence and it shouldn’t. As we said right at the start, it’s a relationship between the community and the company.” (MI-13)

“There are all the levels of acceptance from the federal to the state to the local and sometimes they’re not in sync.” (MI-16)

Again, these concerns tended to be linked to the risk of government approvals and formal legislative processes being combined with holding a SLO within communities. While the intersection of SLO and the legal licence to operate was explored above, there was a sense that different stakeholders may have very different roles (or perhaps even no role) in the creation or maintenance of a SLO. Success in this regard would appear to be very much related to understanding and aligning expectations among various stakeholder interests.

“I think the confusion here also relates to the way in which the legislation operates in relation to things like community benefit funds, trusts and financial incentives and government royalties, payments and taxes. I think that in itself creates the dilemma in which we operate in that the community’s expectations are that they, in a lot of cases, will receive benefits from the activity...the dilemma for the company is where do you stop meeting the local expectations with the view that at a higher level, government wants you to fill the coffers with payments and maybe work on the ground at a regional level? So I think it is a balance and there are conflicts within that formula simply because expectations within the community, government and legal are sometimes at odds.” (MI-12)

From this section it is clear that the practice of defining, developing and holding a SLO is complex. In some cases, respondents found it easier to describe what it looks like when an operation loses a SLO than to describe the attributes of an existing SLO. In particular there was discussion around whether the concept is a binary one, whether it exists on a continuum or whether SLO may exhibit features of both. In the minds of respondents, it would appear that the slow pace of building a SLO contrasts sharply with the speed at which it can be lost. There was also nuance in discussion of the location of the SLO; while the expectations and interests of local communities were seen to be pre-eminent, there was some thought that there may

be multiple 'licences to operate' at different scales involving different sets of stakeholders. Finally, government again was painted as a potentially problematic partner in SLO, with its involvement seen by some respondents to complicate matters.

## 2.3 Question 3: How is SLO related to other concepts used within the industry such as sustainable development and corporate social responsibility?

All respondents were invited to comment on how they saw SLO being related to other concepts that are widely used throughout the industry, such as sustainable development (SD) and corporate social responsibility (CSR). This provided an opportunity for respondents to speak about preferred terminology as adopted by their own organisations, to explore how these concepts might be nested in ways that are reflected in organisational structures, and to consider how these concepts play out in practice.

### VARIANCE IN TERMINOLOGY

The responses to this question revealed some differences of opinion over the way these concepts might be related to each other. Much of this divergence of opinion appeared related to particular organisational norms regarding their use. SLO was not used consistently by respondents' companies although they had all used it, even if only informally.

Initially, some respondents expressed the view that broadly all of these terms captured very similar elements with one respondent suggesting they could almost be used interchangeably.

"Well if you want my opinion, it's probably another way of looking at concepts that have been talked about in the past, and that is sustainable development, corporate social responsibility, social licence to operate. I mean...there are a lot of common threads in all those things." (MI-4)

"How is [SLO] related to other concepts such as sustainable development and corporate social responsibility?...they're the ones that describe what we're talking about." (MI-5)

### A NESTED MODEL

The common elements of these constructs were reflected by others as being interrelated or nested in a broader framework of understanding, and that in many cases while SLO captured one distinct component of activity, it could not be divorced from broader social, economic and environmental concerns reflected by SD and CSR.

"And I would put CSR and sustainable development as the same thing virtually. That is, it will impact on your SLO, but it's not the same thing as SLO." (MI-11)

"But, [SLO is] more descriptive than the term sustainable development...And with the social responsibility perspective, there's also that sustainable development and environmental focus. There is also very much the link into the regulatory side of it that you need to comply. But, it goes well beyond compliance." (MI-6)

In terms of the interrelationship between SLO and SD, SD was generally considered as the higher order concept which provides an overarching framework for the industry. This was reflected in a commitment to 'triple bottom line' practice and outcomes.

"Well certainly, the social licence is about cover of good sustainable development practice. I mean, that's how I see that. But certainly, SD is critical, and the social licence is an outcome of social sustainable development." (MI-13)

"...we probably talk more around sustainable development than corporate social responsibility because we've focused more on longer term capability and capacity building of communities but also we have quite long term businesses. And in terms of social licence to operate, for us it would really just be a component of how well we work with communities and for them to become really able to function with us there but also planning to function when we're not there. Because in terms of sustainable development around communities what we try not to do is to dominate economically and dominate in terms of their own identity." (MI-9)

Respondents also reflected on the interrelated nature of SLO and CSR. While the responses clearly reflected that these two concepts shared certain elements, it was less clear how they might operate in a hierarchy of concepts. For example, some respondents expressed the view that SLO was a narrower term that was nested inside the broader concept of CSR:

“...what I’m a fan of is corporate social responsibility where you take that wider view.” (MI-8)

“And that’s why they basically focus very much on the CSR side of things and I think that that’s where it almost envelops the social licence. Because by us conforming with the requirements at a corporate social responsibility level, we are actually fulfilling the regional social licence requirements. It’s almost like a subset.” (MI-3)

“...the communities in which we operate, value our citizenship. They value us being in the community. Now that to me is beyond social licence to operate.” (MI-4)

However, some respondents also expressed the view that SLO might in fact operate as a broader ‘licence to operate’ concept that captured more than just the social aspects but revolved very much around the quality of company-community relationships:

“But, I guess for us...the social responsibility bit is a subset of a broader licence to operate concept, is very much the relationships with the communities on whose land we are sitting and whose environment we are impacting upon.” (MI-6)

## **SLO AS A QUALITATIVELY DIFFERENT CONCEPT**

Respondents also noted some clear differences between the two concepts, particularly when it came to emphasising that CSR did not automatically translate to SLO.

“Corporate social responsibility; I think that’s a different thing. I think being a good corporate citizen is, in my mind, that’s about supporting the local football club or being a philanthropist in some way.” (MI-13)

“...in comparison to SLO, CSR is almost a tick a box. So you can meet CSR in terms of it being regulated, and it’s almost something that you can say that you’ve demonstrated; that you’ve got these things in place towards achieving corporate social responsibility. Whereas you could have your CSR in evidence, but you could still lose your social licence to operate.” (MI-11)

“...but then if [CSR activities were] all you were doing at that higher level and then actually on the ground in the community you were doing nothing, you wouldn’t have your social licence to operate.” (MI-1)

“I think the social licence to operate is more at a local client, a regional level. But having said that, what we’re delivering to our communities and working with our communities comes from both [CSR and SD].” (MI-3)

“I think there’s a strong link between corporate social responsibility and social licence to operate. Although with corporate social responsibility it’s one thing to put yourself out there with a few good examples of what you’ve done, but then actually getting the social licence to operate involves a bit more work on the ground, making sure the people in that spot are actually happy with what you are doing.” (MI-1)

Again in these responses the localised nature of the SLO was emphasised. This would perhaps suggest that it is the local relational capital that is developed within a SLO that is one of its defining features, again touching upon the importance of the geographic location of SLO within this industry. These responses also demonstrate the variability in abstract definition and practical application of the SLO, SD and CSR constructs in the minds of respondents. As a set of interviews representing a community of practice this is an interesting finding.

## 2.4 Question 4: How do you see the concept of SLO evolving into the future?

Finally, all respondents were invited to reflect on how they saw the SLO concept evolving over the next five to ten years within the industry. In answering the question, respondents discussed the language and nature of SLO as a concept, and also considered how the practice of community engagement may change over the longer term.

### THE SLO CONCEPT IS USEFUL

All respondents expressed the view that, even if the language around SLO changes over time, the concept itself was important to the industry and would remain so.

“...as I said, that formal and informal permission of the communities where we engage; we’ll always need that...the term might change but I don’t think the concept will.” (MI-7)

“It’s been around for a long time...and I don’t actually see it going. No, I see it staying.” (MI-3)

“It’s a really useful phrase in that it reflects the importance of community support and participation. So from that perspective I can see it continuing.” (MI-9)

“It’s key to making sure that the project works and no company would do it without it now. Having the community support for your project is key to enabling it.” (MI-14)

### COMMUNITY INFLUENCE WILL INCREASE

It was also recognised that in the future the importance of SLO would likely be shaped by increasing scrutiny on industry performance and by changing demands and expectations of communities. These changes were related to increases in the amount and availability of information, and the influence of the media (including social media).

“...we are seeing more and more pressure around people questioning, even though mining is a contributor to Australia, there is also a growth in people questioning its relevance; in terms of its impact on the environment and power being used and so on and so forth. It’s not always strictly accurate but it’s there.” (MI-8)

“...in the future the social licence to operate requirement - what you need to do to meet, to reach, to maintain your social licence to operate - will be more intense. So there will be more intense scrutiny, particularly because of the growth in the industry.” (MI-11)

“But certainly, I think it’s going to be more intense for industries in the coming years, and driving that will be the increase of social media and I guess views around governments wanting to push and evolve a lot more responsibilities back to the private sector.” (MI-12)

“I think people are expecting more in terms of quality of life and what they will accept for themselves and their families.” (MI-1)

“I guess there are a lot of criticisms levelled at the industry and a lot of those are unfair. But I know that there are some very legitimate concerns about the way that the industry operates as well...I think the industry will need to get a lot better at gathering the data and putting its case together to address some of the myths and get them out of the way so that we can get down and start addressing some of the real concerns about the way that the industry operates.” (MI-15)

Three respondents noted quite explicitly that communities were increasingly empowered in their negotiations with companies, and this would likely continue to define the future of SLO in the industry.

“And I think also with some of our community when you’ve got a licence to operate, they also know the power they’ve got... the number of complaints that they make or the issues that they raise...they certainly are aware of it.” (MI-3)

“I think communities are learning very quickly that they have power...they’re learning very quickly that they can get action groups together, that they can gain momentum, that they can get the federal and state government involved and not necessarily get a hundred per cent of what they want, but at least get some agreement towards whatever their aim is of their particular group.” (MI-1)

“It makes the power relationship between communities and companies more explicit, because it reminds communities that they do have collective power.” (MI-10)

## **SLO AS CORE BUSINESS**

Seven of the 16 respondents described the evolution of SLO as likely to become more formalised, suggesting a potential shift toward systematically approaching the concept. The descriptions offered by these respondents included suggestions that SLO would become a more integral part of operational project assessments or be embedded within guidelines for industry practice, or perhaps be adopted as part of the organisational business case (although it was noted that in some organisations this was already the case).

“I think we’ll see social licence emerging more and more into project assessments and operational assessments.” (MI-4)

“...[that it] will become a part of the business case in the same way that the environment and health and safety and processing and mining is over the next 10 years. And that it’s accepted within the industry and within communities as being a fundamental part of the way we do business.” (MI-5)

“...we would probably expect it to become potentially more and more a feature of the approval processes, for example...So we can imagine having some more structure around...what processes organisations might need to have to respond to community concerns and aspirations.” (MI-9)

“...maybe we’ll see the social licence actually becoming...a new type of governance in relations between companies and communities, formalised through community benefit agreements [or]...just different kinds of community agreements.” (MI-10)

Further to this, one respondent expressed the view that SLO might even be formalised through performance measurement and reporting. Although as noted above in the responses to Question 1, respondents’ views on the effectiveness of measuring SLO were varied.

“I think it’s going to become a KPI [Key Performance Indicator] for some companies. The component of social licence related to perceptions of fair treatment and justice...could apply across all sites and be measured and compared at all sites, while still allowing the flexibility for different programs at site level because each of the sites are different, doing different things and with different communities. So if a component of the social licence is already a KPI in a company, why couldn’t the social licence itself be a KPI? So I can see that happening.” (MI-10)

## **LEGISLATING FOR SLO WOULD BE COUNTERPRODUCTIVE**

Two respondents cautioned that in looking at formalising SLO in these ways there was a need to avoid regulating for social licence but to ensure a continued focus on improving the outcomes on the ground. One of these respondents warned that it would be important that legislation on community engagement did not prescribe the methods and nature of those practices beyond an overarching framework. A set of narrow and inflexible processes, and accompanying reporting requirements, were viewed as being restrictive and likely to be counterproductive for all concerned in developing deeper relationships and goodwill with communities.

Certainly the reason for wanting to avoid the ‘one size fits all’ approach to SLO seems firmly embedded in the idea that the localised and largely voluntary nature of SLO will continue to remain at its core.

“I think we can never lose sight of the need to be localised because that’s where the brunt of the impacts, both positive and negative, are felt. And they can be managed and they should be done well.” (MI-8)

## THE FUTURE OF SLO

Finally, respondents adopted a longer term view of the evolution of SLO in transforming both practice and enriching the nature of company-community interactions. Other key features of an evolving SLO included: changes to the nature of community engagement practice (i.e. moving beyond purely transactional negotiations to generate new solutions or opportunities for communities); the increasing emergence of specialised skills in community engagement, and; a move toward exploring new, perhaps non-traditional, partnerships and different ways of working together on the ground.

“...moving from a paternalistic model to an engagement model; moving from information to dialogue; and moving from business control to a people centred, or participatory approach, because what you’ll find then is if you’re much more tuned in to community’s aspirations and needs and such, you’re also enhancing your licence to operate...and you’re actually becoming a partner, and not just a benefactor.” (MI-4)

“So I think opening up to communities, listening to their views and incorporating their views into decision making is going to be important and also looking at how you can spread the benefits of mining throughout community.” (MI-15)

“...there’s a lot of value in us partnering with other organisations and so, we’re looking to develop in a broader sense, a capacity and capability of communities to function post mining. Something with a lot more focus on that longer term outcome rather than just keeping people happy day to day.” (MI-6)

## 3 Conclusion

This report summarises the content of interviews with representatives of mining companies and industry groups in Australia regarding the concept of social licence to operate (SLO). CSIRO social researchers explored respondents' understandings of the SLO term, how it looks in practice, how it relates to concepts such as sustainable development (SD) and corporate social responsibility (CSR), and how they see SLO evolving into the future. Analyses of these results revealed the concept to be complex and nuanced in the eyes of mining company representatives.

There was a unanimous feeling among respondents that the social licence is a real and important phenomenon that mining companies must, and for the most part do, consider in their planning and operational activities. The power of communities, although ultimately limited in regulation, was viewed as being real and impactful in shaping the way mining takes place in Australia. A complex concept, respondents often found it easier to define when an operation did not have a SLO than when it does, and SLO was considered very difficult to measure and quantify.

Respondents often spoke about SLO in terms of the processes required to maintain it rather than as an end state in itself, with strong emphasis on understanding the expectations of communities and continual relationship and trust building. SLO was viewed as being slow to develop but quickly lost. There seemed to be a difference in views regarding what stage of operation a SLO was required; some respondents indicated that their companies would not proceed with an operation unless they had the acceptance and support of local communities, while others indicated that the value proposition for these communities could be demonstrated (and acceptance and support earned) over time.

Respondents placed a strong emphasis on local communities in the context of SLO, placing them above more distal communities and stakeholders. There was also the view that there may be multiple licences to operate involving other important stakeholders in mining, including distal communities, state and national governments, and society more broadly. In general, legislating for SLO was not viewed as constructive by industry.

The concept of SLO was closely related to SD and CSR in the minds of respondents. Yet there was some disagreement regarding the nature of this relationship, with some respondents indicating the terms were interchangeable while others suggested a nested model or hierarchy of concepts. Qualitatively, respondents described SLO as having strong local, relational elements which distinguished it in practice from more bureaucratic or procedural practices that characterise CSR.

Looking forward, respondents indicated the power of communities to influence the industry would only increase, and the importance of the SLO to mining companies would increase commensurately. The ability of companies to move toward a more dialogic approach to community engagement, partly through shifting SLO matters into mainstream business practices, was seen as related to their likely future freedom to operate in an increasingly contested resource landscape. To close, and reflecting a view that SLO was an inclusive and constructive term with power as a vehicle for deeper, more dialogic relationships, one respondent concluded their interview by saying:

“I think the final comment I would make is that...our view is not *the* view; our view is formed clearly by the various stakeholders that we engage with. And we may have conflicting views, but part of this process is getting to, I think, a common ground and that's...the objective that we aim to achieve.” (MI-12)

### 3.1 Next steps and future research

This research represents the first detailed qualitative exploration of the SLO concept with representatives of the minerals industry in Australia. This work raises some important questions regarding the SLO concept which will be explored in future research. This future research can be categorised in three ways:

- **EXTENDING THE CURRENT STUDY.** This will include exploring the views of other mining stakeholder groups (e.g. community members including local residents and businesses, Indigenous Australians, government, NGOs etc) regarding the SLO concept through interviews.
- **EXAMINING THE CROSS-SCALE NATURE OF THE SLO.** CSIRO will be conducting a national survey of the Australian community to assess attitudes to the extractive industries and explore the concept of SLO at different scales. A representative sample of Australian citizens will allow the views of local mining communities to be compared with those of similar communities in non-mining regions and with citizens in state capitals, and allow comparisons of attitudes of citizens in mining and non-mining states. This study will help to identify how the industry can engage with the needs and priorities of Australians, and address their concerns, in the medium-to-long term.
- **MEASURING SLO.** CSIRO is investigating methods to quantitatively measure and model key elements of SLO in the extractive industries. It has demonstrated the viability of this approach in pilot research with an industry partner. Future work will expand and test this model in other extractive industry community engagement contexts and CSIRO is seeking opportunities to partner with stakeholders in mining regions to pursue this agenda. It is expected that a diagnostic tool will be developed out of this work that will allow companies and communities to understand which areas of their relationship need attention in order to maintain trust and community acceptance.

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