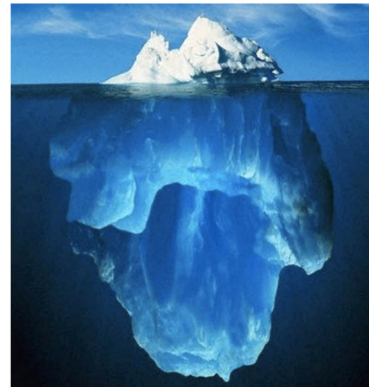


Social License: Addressing Deeper Issues Boosts the Odds of Success

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By Adam McEniry



Publicly stated arguments are often what's only on the surface of conflicts over natural resource developments. More complex underlying geopolitical issues and hidden agendas can also be at play. I have come across this on a number of projects in Peru, Ecuador, Indonesia, Guinea and Canada, but this seems to happen in every jurisdiction.

The **“tip of the iceberg”** are concerns and interests that are plainly expressed in public consultations, articles, protests, blogs, etc. For instance, concerns over the effect of mine drainage on downstream basins used to water farmers' crops or herds, or for drinking water. Concerns over local jobs and benefits are almost always a given, and in most projects, these issues figure among the main reasons for opposition to a company's resource project. The more important the resource a company lays claim to, however, the greater the complexity and likelihood that subtler dynamics are at play.

These **“just below the surface”** issues are those that may or may not be openly visible but are key factors in the stance of certain groups towards a project. Examples include concerns over the uneven distribution of benefits (e.g. to higher qualified community members or politically connected ones). Or, populist politicians may use the project as a wedge issue to play on people's fears of what they don't understand (e.g. a belief that all mines pollute and leave people worse off). No matter how many times a company may explain that the technology it will use is better than the one used in the area's historic mine that discharged tailings runoff untreated into a river, it may be deemed politically advantageous by a particular politician to maintain an anti-mine stance.

Another common just-below-the-surface challenge involves building up the capacity of stakeholders to understand the mining business — just because the price of gold is at US\$1,300 an ounce and a company plans to produce millions of these, doesn't mean that its operation is guaranteed to be profitable. There are fluctuating variables in cost, price, and risk that mean a company and its investors could actually lose money. It's difficult for financially illiterate communities to understand this, hence the pressure for ever-increasing social expenditures, nationalization of assets, or taxation on companies.

Finally we have what I call **“the Depths”** — opaque agendas often involving competing economic interests that may be unduly manipulating public opinion and politicians. These can be very difficult to openly detect, as they may lie in the realm of criminal activity, conspiracy theories and distorted perceptions of reality. Take the case of a junior mining company losing its concession licenses over community violence. This occurred in a small Andean country that was the location of one of the best gold finds in the past decade. Here, a number of locals admitted to being paid a daily stipend to oppose a project by a self-proclaimed ecological organization, which in turn was funded by a large foundation that enjoyed funding from a large, global resource company. The government did not intervene when certain community members illegally occupied company-purchased lands, nor did it prosecute those involved in violent acts or vandalism against company property and personnel. Instead the same government stripped the junior exploration company of its concessions due to the violent incidents. Within a couple years a global major in partnership with this same government was granted the concession and began to socialize the project.

So practically speaking, what does this all mean for a mining investor dealing with below-the-surface issues? Well, it can mean many things, but what is certain is that the odds are probably more stacked against a company than it may think, and it may need deeper pockets to compete in such an environment. But a little upfront investment here may save a company millions down the road.

Depending on the degree of underlying agendas uncovered, a company's financial resources, and of course the attractiveness of the deposit at play, it may choose to fight the good fight. A good community Corporate Social Responsibility program, if only part of the solution, is critical. A company needs to win the hearts and minds of the local community through transparent and responsible actions, and demonstrate that it is going to provide longer-term, sustainable benefits to the community.

A company's solo efforts will rarely be enough in such cases; it will want to ally the project with partners that hold broad influence and will bolster its position. Ideally this means partnering with the local or national government, however multilateral organizations with a development agenda can also be valuable partners. Some development banks have a mandate to invest in socially responsible projects. Many times these banks are also creditors to national governments, and can exert some influence over said government accordingly.

There are even environmental organizations that recognize that a resource project can be an ally to the environment by providing jobs, reforesting large areas, and helping to preserve natural areas much larger than the mine's footprint. Aligning with such groups can provide additional resources to deal with social and environmental issues, and be a big boost to a company's credibility while helping delegitimize its detractors.

If, despite a company's best efforts, it concludes that the odds are too stacked against it, then its best bet may be to market and advance the project to a degree where it can be sold to someone with the deep pockets and influence to move it forward, albeit at a discounted profit. Then at least the company can push away from the table with a tidy profit.

Based in Toronto, Adam McEniry has over a dozen years of global experience helping junior exploration companies and some of the world's largest producers effectively manage non-technical risks and create value for both shareholders and community stakeholders. A corporate responsibility expert, he has trained and led community relations teams, produced bankable social impact and sustainability management plans, and orchestrated advocacy and communications campaigns on 4 continents. Visit www.mceniry.co for details

