

## Comments on the Social License to Operate (SLO)

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When talking about the Social License to Operate (SLO) it is useful to recognize the two ways in which the term is commonly applied.

First there is the application initially advocated by Henson Moore in which, “social license” refers broadly to **society’s acceptance** or approval of the business practices of a given industry and that industry’s public accountability in terms of socially acceptable ways of operation. This understanding of SLO comes very close to what is generally understood by the term “social contract”, the implicit expectations that society has of business performance that justify allowing companies the freedom of action that they enjoy in an open economy. Note the focus is on expectations of performance. It’s what the members of the industry do that matters, if they don’t perform, they aren’t welcome. So, the key question is: ‘What are those expectations?’

Second, there is the approach first proposed by Jim Cooney in which the Social License refers to the **consent that a community gives** to or withholds from a nearby industrial operation that imposes significant potential impacts on the community’s well-being (social, cultural, economic and environmental). Here the focus is on actual performance. It’s not what the company does that matters, as I will discuss, it is how it does it: And if the company does not do things the appropriate way there is a very high risk of conflict. Importantly, this is how the term has become widely understood within the mining industry for the past twenty years., more recently in the oil and gas industries, and currently in Canada around issues connected with pipeline development.

The distinction between broad social expectations and community level perceptions of actual performance is important not only in scale and direct relevance but also because the two applications **require different techniques to investigate and evaluate them**. Generalized social survey techniques and popular opinion polls may suffice at the broad, higher level question of **expectations** while stakeholder analysis is essential to understanding the social dynamics around **‘consent or acceptance’** at the local level.

In practice, the two ‘versions’ of SLO are **highly complementary and intimately related** since continuing higher level broad, societal acceptance of an industry is dependent on acceptable performance at the local project level. As we have found in Canada, opinions concerning the mining industry are influenced not by the best practices of companies but rather the problems created by the lowest performing units. Gaining and maintaining the local level, project based SLO is therefore fundamental to social acceptance at all levels – from host community to society at large.

Understanding project level dynamics requires consideration of SLO as an **outcome** of various social **processes** arising from the **relationships** between parties that have overlapping interests in the use of a **shared resource space**. At the project level, the risk of conflict, and the need for a

SLO most often arises from the presence of severed title. This is the situation wherein one party, a community or network of stakeholders, singly or collectively hold rights to the surface of the land while a second party, the resource company, holds rights granted by the State to the mineral resources in the subsurface.

Accumulated experience from numerous published research studies demonstrates that the most important elements that contribute to SLO are stakeholder perceptions of **contact quality** and **procedural fairness**. Simply put; it is not what a company does that creates a SLO but rather how it does it! Evidence from conflict studies reveal two complimentary attributes of a SLO; first, the degree to which stakeholders feel that their **concerns and interests are protected** and, second, the extent to which the stakeholders believe **they can influence** the way a project or company affects their lives.

Whilst acknowledging that there may be local, context-dependent processes leading to the granting of a SLO, the single common denominator is the presence of **meaningful engagement** between the resource company and the community of stakeholders in order to build solid community-industry relationships

So, overall, in order for the SLO to be established, the outcome and the processes should always exhibit certain **attributes**, such as fairness, reciprocity and stakeholder participation. Perhaps the strongest indicator of an evolving or existing strong, stable SLO is the shift from a relationship characterized by transactions between the parties involved to one of collaboration, which in turn leads to higher levels of trust. As a result, the SLO may occur across a **hierarchy** of possible outcomes, ranging from mere **tolerance or acceptance** of an activity to **approval** and on occasion reach a **shared identity** between the community and the company associated with the activity.

So, what is the link between SLO and sustainability? Very simply, the environment of shared objectives and collaboration found in the higher levels of **SLO is fertile ground for identifying and achieving sustainable outcomes** for all of the parties involved and particularly the communities hosting resource development projects, be they mines, oil and gas fields, forestry, industrial agriculture or aquaculture. When all (or at least a majority) of the stakeholders are able to work together amazing things can be achieved.

Now, governments cannot legislate the good behaviors that build the strongest SLO, but they can require engagement that provokes collaboration, which in turn encourages relationship building. Experience from Canada and of Canadian companies working internationally is that signing **formal agreements with communities** – the famous IBAs and CDAs - is a very powerful tool for building a SLO. More particularly, the commonly included clauses for community participation in environmental monitoring and collaborative design and implementation of development projects are key elements of success. I suggest that the process of negotiating the roles, rules and responsibilities of the parties to an agreement, which **is inherently an exercise in relationship building**, and then maintaining the relationship, is an aspect worth further consideration in this forum.