

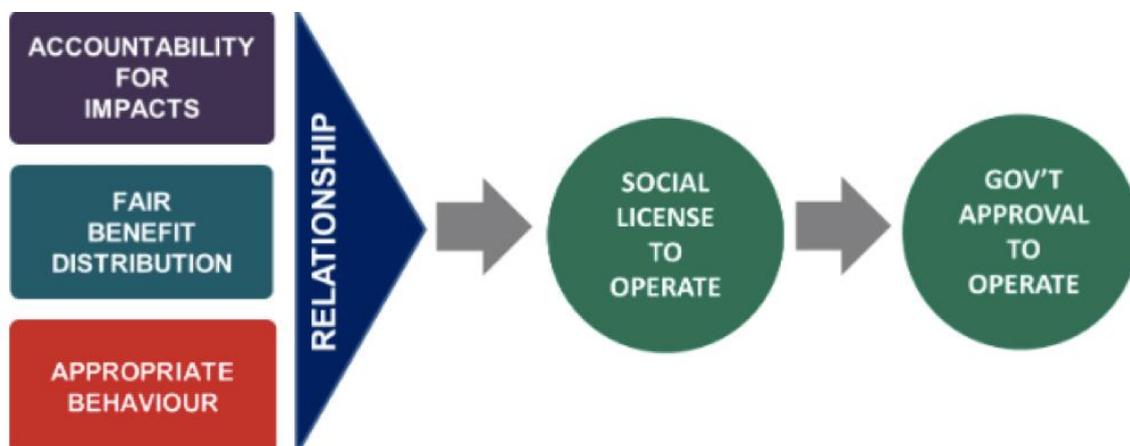
CREATING SHARED VALUE IN COMPLEX ENVIRONMENTS: PART I

Part I of this series will focus on the three categories for understanding and analysing company-community relations – Benefits Distribution, Accountability for Impacts and Appropriate Behaviour. There will be analysis of how these categories combine in the building of the kind of relationships necessary for the building of an effective Social License to Operate (SLO).

I am often asked to share thoughts on how corporates can Create Shared Value in complex environments, thereby reducing the significant risk posed to their operations by loss of a [Social License to Operate](#).

Company – Community Relations

A schematic representation of how the three relationships work is below:



Accountability for Impacts

An effective SLO plan will acknowledge the positive and the negative side effects of mining operations on local, and national communities. When a community sees that a company is concerned by, and accepts responsibility for the unintended and long term side effects of its operations, then they will interpret this as a sign that the company cares about them and their lives.

Acceptance of responsibility for any negative effects of commercial operations, such as the [Curse of Resources/Dutch disease](#), is a good example of such acknowledgement. Crucial to the acceptance of accountability for impacts is the need to discuss a long term vision with communities, listen to their concerns about possible negative impacts and provide long term contracts and training plans.

Fair Benefit Distribution

The right approach to benefits distribution is based on the principle of fairness.

Fairness refers to how people in [communities](#) perceive the distribution of benefits and their share of these benefits. Unsurprisingly, the key is to ensure that deserving people get what they deserve, and those who do not deserve rewards do not get them. Furthermore, many communities assign

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value to immaterial and intangible things such as historical and traditional hierarchies, social relations and spiritual qualities. SLO strategies must ensure that people feel they receive non monetary benefits - as well as payments - as a result of a company's presence. If communities believe the company is fair, it will be reassured. This will reduce needless competition and fear, as well as reinforcing the long term view over short term gains. Transparency is a key component of fairness. A divider and connector analysis will guide ways in which a SLO plan can emphasize and reinforce common and collective interests, among communities.

Appropriate Behaviour.

How a company behaves towards communities sends messages about respect and disrespect, trust and mistrust and whether or not it cares, or does not care about them. The behaviour of a company, including its contracted agencies, has a direct impact on how communities view the company. More messages are communicated to local communities by [company behaviour](#) than by words or publications. Getting it right involves the showing of respect, trust and care for the communities affected by a company's operations – respect, trust and care sets the tone for company community relationships, and mitigates risk.

There are many ways in which a company can display these qualities, including:

- good social interaction;
- identification and mapping of culturally important sites;
- open engagement;
- minimization of overt displays of security;
- following through on commitments;
- responsiveness to community inquiries;
- acceptance of corporate accountability to local communities.

Creation of Shared Value (CSV).

[John Browne](#), a former CEO of BP, has emphasized the risk posed to corporates by having the wrong relationship with society, of neglecting those aspects of their activity that go beyond narrowly legal requirements. For Browne, activities that make a social contribution should be construed as being part of a company's central purpose.

Browne argues that companies should engage with society in a radical, rather than a grudging and episodic manner. He says that the "definition of purpose" is changing for many organisations, with an increasing acceptance that shareholder value should be seen as an outcome, rather than the goal of commercial activity. Browne says that the integration of [Corporate Social Responsibility](#) (CSR) and sustainability into core business activity is tough, but that there is a clear business imperative for the extractive industry to improve its relations with host communities. Across the world extractive communities lose billions of dollars each year as a result of [community strife](#). In particular Browne advocates:

- Building a portfolio of strategic programmes with long term economic development strategies, rather than making one-off, reactive investments;
- Creating processes which integrate social investment staff into core business decision making;

- For a switch from incentivizing on-time, low cost delivery to incorporating social performance into compensation packages;
- Measuring investments in communities by dollars spent to measuring investments in communities by societal and business outcomes;
- Building relationships with governments/NGOs and community leaders to help solve societal problems.

Part II of this series will focus on a company's internal structures and external relations department, and the impact these can have on a company's relations with its community stakeholders. There will also be discussion of the promotion and protection of human rights in the context of a social license to operate

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Mark Jenkins advises clients on Corporate Social Responsibility (CSR), security and risk management issues affecting the viability of on and off-shore energy, mining and infrastructure sector projects in Europe, the Middle East and Africa. Mark's experience has been focussed on creating reliable community support for projects through the development of a Social License to Operate (SLO) based on effective CSR initiatives. The success of these initiatives has been based on a thorough understanding of local environmental, commercial, and cultural dynamics, especially Islamic ones.

Prospect Law is a multi-disciplinary practice with specialist expertise in the energy and environmental sectors with particular experience in the low carbon energy sector. The firm is made up of lawyers, engineers, surveyors and finance experts.

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