

Boy Scouts of American
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Panel Discussion: *State of the Industries Panel: Sustainability and
Building Future Shareholder Value*
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Introduction

The concept of Sustainable Development is now universally accepted as an obligation of a country, of companies and of individuals. Nonetheless, its precise meaning has been open to discussion—some would even say debate. And many of the measures of sustainable development have lacked resonance with the very audiences we are trying to reach and engage.

This disconnect poses a problem for everyone, not the least industries such as the resource sector. It's further complicated when thinking about the central tenet of sustainability: "meeting the needs of today without compromising the ability of future generations to satisfy their own needs." How is an American family's need for a second car to be compared with a rural farmer's needs in India for fertilizer, electricity or safe drinking water?

These considerations suggest a more evolved view of Sustainable Development as Brett Harvey suggested earlier---one that doesn't view Sustainable Development as an end point, but rather sees it as a process for getting there.

I would like to focus my remarks on one dimension of sustainability and corporate social responsibility—one that is of growing importance to the mining industry—Social License. Like sustainability, there is no consensus on the precise meaning of social license. It might be said that its meaning has greater elasticity than the price elasticity of some of the products we produce. And like sustainability, the social license to operate is better viewed as a dynamic process for achieving an end—in this case gaining and maintaining acceptance and support of the communities where we operate.

Social License to Operate

While the concept of social license can be discussed in more strategic terms of a product or industry, for purposes of today's discussion on sustainability and building shareholder value, I will talk about it at the operational level of an individual project—in other words Social License to Operate (SLO).

With abstract concepts, sometimes it is better to start by explaining what something is not. In most basic terms, Social License to Operate must be distinguished from the legal license or permit—it requires far more than filing an application and paying your fees. In a sense, it is earned rather than granted, and it is rarely perpetual or unconditional.

To break it down in simplest terms, the social license to operate has three elements—many familiar to all here in terms of successful business relationships:

1. **Legitimacy:** involves understanding the norms of the community—those norms comprise the rules of the game. Legitimacy is acquired by meaningful engagement of members of the community.
2. **Credibility:** created by providing true and clear information consistently; building a framework around issues, needs and commitments that manages expectations and minimizes perceived breach of promises.
3. **Trust:** comes with performance and creating opportunities for continuing collaboration.

Again, SLO is better viewed as a process where each element is acquired sequentially as one moves from the lowest level of the Social License of community acceptance that is sufficient to allow a project to proceed, to a higher level of license of community approval that will prove more durable for the company and community. Of course, the nirvana of social license that transcends approval would be one that Frank McAllister described last evening where the community and most stakeholders have incorporated your project into their identify and now are your best advocates.

So how does earning your social license to operate translate into adding shareholder value?

Let's take two companies. The first company views its legal right to mine as legitimacy. It also sees the technical credibility of its mining plans as providing social credibility. And finally, it considers the standard regulatory

process of soliciting public comment on its plans as collaboration that deserves trust.

The second company engages the community early and often and builds relationships so it can understand the community and its norms. It shares information, listens and strives to accommodate legitimate concerns in its operations and closure plans in advance. And, continues to collaborate with the community after it commences operations and through closure and remediation—a period that for some mines may cover generations.

The first company views the social license more in terms of its legal license—one that is nothing more than a series of transactions. This company I would suggest may be placing shareholder value at risk. The second company sees the social license in terms of relationships that must be built and maintained—relationships that capture new value in the form of stakeholder value that translates into shareholder value—and here is how:

- Shorter permitting times by reducing legitimate opposition—reducing the potential erosion of the net present value (NPV) of its investment.
- Increased probability of having legal license renewed and project areas extended—preserving existing investments and securing future earnings.
- Differentiation in the market as a reliable source to customers by avoiding delays and interruption of operations.
- Reputation building that will pay off in securing future resources and perhaps accessing resources in more sensitive areas.

- Building the capacity and culture to execute successfully on the next project—the second company will have a system, culture and skills for continuous improvement and success.

While this description may be easily articulated, its components are not easily executed. Nor are the metrics for shareholder value as easily evaluated as improvements in productivity or fixed costs, for example. As Frank McAllister pointed out, it often means both the company and the community must shelve pre-existing ideas in order to agree upon mutually meaningful objectives. They must learn new skills and new ways of talking to one another.

That's why this summit is so important. It brings together generational and experiential differences to discuss a common objective—an objective that is crucial to the well-being of today's and future societies.

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