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Revisiting the Age of Uncertainty: Reliability and Social Performance

Introduction

What does it take to be a high reliability organisation (HRO) in Australia in 2021? The literature on HROs focuses on the internal management principles and practices within organisations operating with a high degree of risk. For example, Airservices Australia is identified as the kind of organisation, "where a single error, if not contained, could cause not one fatality, but hundreds" (Hopkins, 2010: 3). In the mining industry, accidents and oversights can lead, not only to fatalities, but also serious harm to the environment, to people's livelihoods and cultural heritage.

In the resources sector, it is timely to consider the HRO model in broad terms, as relevant to safety, health and environment, social performance and governance. This paper focuses on social performance for three reasons. First, I will argue that the external context in which an organisation operates is relevant and integral to what happens inside that organisation. For example, the extent to which a resource project draws labour from and delivers benefits to local communities in the region has benefits for the reliability of the organisation itself.

Second, the concept of risk has been reframed, from risk to the business – operational, financial and reputational risk – to risk to *people* (employees, host communities and broader society) and the environment. For example, in disaster risk management, contemporary approaches are as much concerned with people's vulnerability and resilience to a hazard, as they are with technical management of the hazard itself (Kemp, 2020). While the notion of value produced by the private sector has been enthusiastically recast in the business literature as 'shared value' between companies and communities (Porter & Kramer, 2011), there is also evidence of shared consequences when production harms people or the environment (Davis & Franks, 2014).

The multi-faceted nature of most risks encountered in the mining industry requires an integrated, whole of business approach to planning, training, monitoring and reporting on what industry standards broadly measure as 'sustainability performance', including safety, health, environmental, social and governance indicators. Accountability – to regulators, shareholders and stakeholders across society – requires corporate governance of major risks at the senior executive and board levels (Hopkins & Kemp, 2021).

Third, the ultimate measure of an HRO is not whether its leaders, its employees, shareholders or even independent auditors declare it as such. Recognition for high reliability comes down to societal approval and trust of the organisation. This means the industry will need to translate the shorthand of 'social licence to operate' (SLO) into long-term, multi-stakeholder engagement.

Understanding context inside and out

In the literature reviewed by Johnston (2021) for this series, HROs are considered to be better prepared than other businesses for unexpected events. This is because they, "practice a form of organising that reduces the brutality [of these events]… and speeds up the process of recovering", according to Weick & Sutcliffe's seminal book titled, *Managing the Unexpected: Resilient Performance in an Age of Uncertainty* (2011: 1).

HROs actively cultivate their resilience to high risk situations and incidents. What better time to think about the HRO model then, than the current age of uncertainty? Where global pandemic meets energy transition, meets geo-political tensions and the digital revolution. The only certainty about extreme weather events in Australia is that they're certain to happen. But that's all outside of the organisation's operations, so why should the context matter to our understanding of HROs?

A typical risk management strategy is to draw a line between risks within the organisation's control and external factors that are beyond its control and responsibility. This is simple and practical, but it goes against the second principle of HROs, according to Weick and Sutcliffe, which is the reluctance to simplify. The more nuanced picture of operational risk recognises that the organisation is *of* and *within* its context, and cannot be managed in isolation from society and the environment. The principle is that "less simplification allows you to see more… Knowing that the world they face is complex, unstable, unknowable and unpredictable, HROs position themselves to see as much as possible" (Weick & Sutcliffe, 2011: 10).

On an individual level, the shift from an organisation taking care of an employee's physical health and safety at work, to a more holistic view of wellness and work-life balance, acknowledges that the external context matters to performance and reliability within the organisation. For example, societal attitudes toward women impact on their safety, participation in the economy and career progression. What happens to an employee in her home and on her way to work will affect the

reliability of her performance as much as any safety checks or flexible shifts in the workplace. This matters because diversity is one of the notable features of an HRO (Weick & Sutcliffe, 2011). SMI's research on Fly In, Fly Out (FIFO) workers at the height of the resources boom in Australia similarly showed a connection between wellness and reliability at work, in the family and community (Fold et al, 2013). In that study, some 60% of FIFO workers interviewed agreed that the demands of long distance commuting for work interfered with their home and family life. In turn, 40% reported feeling lonely or socially isolated during periods at work, which can have serious consequences for the individual's safety and the organisation's reliability.

On the issue of local employment and procurement, in Queensland the Coordinator-General recently came out with findings of the *Post-implementation review of the Strong and Sustainable Resource Communities Act 2017* (SSRC) (December 2020). The review found that FIFO prohibition has delivered positive benefits to local communities, although it is too soon to say whether the regulation of an enhanced Social Impact Assessment (SIA) process is having a positive effect. It is interesting to note that the report acknowledges the increase in local worker numbers and their families in regional communities may be attributable to resource company 'live-local' initiatives, rather than a direct result of the legislation (Coordinator-General, 2020: 19). Voluntary industry initiatives and standards are often instrumental in driving social performance in mining, even in jurisdictions with strong regulation.

The SSRC Act Review found that local government and community stakeholders wanted increased transparency of reporting on Social Impact Management Plans, and a stronger monitoring and evaluation element in the Act to ensure delivery of benefits to regions. The report concluded that "…the need for social impact planning and management processes is the same regardless of whether the industry is in a period of growth or downturn" (Coordinator-General, 2020: 44). The need for the energy transition to be a just transition for coal mining regions is just one example that shows the importance of communities and social performance to an HRO.

Integrating safety, environmental and social performance

When paying attention to emerging trends and how they impact on business, environment and communities, it becomes clear that a wider perspective on safety, health, environment and social performance is needed. Corporate governance and communication are also vital functions for high

reliability. It is surprising that the literature on HROs focuses so much on the word 'leadership', when corporate governance is a term that says more about collective accountability and integrity. The King Commission reports from South Africa provide a valuable set of principles and guidelines for the mining industry in this respect. One of the recommendations of the third King Commission Report of 2009, is that organisations should produce an integrated report in place of an annual financial report and a separate sustainability report (King Report III, 2009: 107).

For social performance, in particular, communication teams need to be on board with meaningful stakeholder engagement and public participation in decision-making, rather than focused on getting the best photo for a glossy sustainability report. In his searing critique of the lack of progress toward the Sustainable Development Goals by 2020, UN Special Rapporteur Philip Alston called this approach out as, "sleepwalking towards assured failure while pumping out endless bland reports" (Alston, 2020: 19). If the resources sector is to make a genuine contribution to sustainable development, it will need to see a more central role for the communities and social performance function within each company.

Integrating an organisation is challenging, given the way in which technical expertise is siloed within the education system and across the functions of a business, such as in the resources sector. It is necessary, however, when considering the multi-faceted impact that mining accidents or harmful practices can have on the workforce, the environment, the family, community and wider society. Examples that spring to mind are usually the catastrophic cases: Hazelwood Fire, the Brumadinho tailings dam failure, or the destruction of ancient rock shelters in Juukan Gorge. Long latency diseases or changes in employment patterns can also be slow-moving disasters for communities and companies. The damage caused by bribery and corruption can derail an investment before construction even begins, at the approvals stage, as evidenced in the OECD's study of corruption in the extractive value chain (OECD, 2016) and the work of Transparency International Australia on business integrity in mining (TIA, 2020).

How should an HRO respond to the concurrent safety and health, environmental, social and governance risks of the current times, while taking an integrated approach to the organisation's safety, environmental and social performance?

The answer currently is that there no single, right way to integrate the communities and social performance (CSP) function within an organisation. A rapid review of the corporate structures of 10 global mining companies by CSRM in 2019 found three types of structure:

Type 1	The CSP function is grouped in the first instance with external affairs and/or government relations, and sometimes with communications, and reports to the equivalent of a head of corporate relations, who then reports to the chief executive.
Type 2	CSP is grouped with external affairs, government relations, communications, environment, and sustainability, in the first instance and reports to the equivalent of a head of sustainability and public policy. In some cases, this executive then reports directly to the chief executive; in others there is an additional executive position between the head of sustainability and public policy and the chief executive.
Type 3	CSP is grouped with safety, health, environment, and sustainability, in the first instance, reporting to the equivalent of a head of safety, environment and social performance. In some cases, this executive then reports directly to the chief executive; in others there is an additional executive position between the head of safety, environment and social policy and the chief executive.

Figure 1: Corporate CSP structures in 10 global mining companies (source: Johnston & Kemp, 2019: 6)

Respondents in the study felt there were advantages and disadvantages to each type of structure, but the most important factor in organising for effective social performance was a deeper engagement by the board and senior executives about the purpose and scope of CSP activities (Johnston & Kemp, 2019). A rigorous system of monitoring and evaluation of social performance is also needed, together with regular training and review of the CSP function.

The question of whether social performance standards should be voluntary or mandatory is an ongoing debate. Either way, what is most important is whether organisations put the communities and social performance function together with safety at the centre of priorities, rather than at the margins. As one of the principles of an HRO is to listen to the experts, it follows that experts and data on social impact and vulnerability need to be closely consulted at the stages of planning and prevention, and not only brought in for mitigation after the harm has already occurred (Hopkins &

Kemp, 2021). Participatory planning, needs and impact assessment goes beyond the idea of consulting experts, to include the voices of those at risk themselves in deciding how to manage that risk.

The Global Industry Standard on Tailings Management, adopted in August 2020, is a leading example of how consideration of risks to project-affected people should be integrated with engineering and organisational management principles for accident prevention. This broad scope was hard won by negotiation from civil society actors and social scientists on the expert advisory panel (Hopkins & Kemp, 2021). Although the final version does not go as far as these parties wanted on participation and consent, the Standard does start with affected communities as Principle 1:

> *Respect the rights of project-affected people and meaningfully engage them at all phases of the tailing facility lifecycle, including closure.*

Principles 2 and 3 have to do with developing an integrated and interdisciplinary knowledge base, using "social, environmental, local economic and technical" knowledge to inform decisions about tailings management. Principles 4 to 7 cover the design, construction, operation and monitoring of tailings facilities, while principles 8 to 12 are about management and governance. Principles 13 and 14 relate to emergency response and long-term recovery. The final principle 15 of the Global Tailings Standard is about transparency and accountability to society, namely to "publicly disclose and provide access to information about the tailings facility to support public accountability" (ICMM, UNEP, PRI, 2020).

Building trust through stakeholder engagement

There are many standards and guidelines within the mining industry and corporate social responsibility literature on how to practice meaningful stakeholder engagement. This includes consultation and consent of project-affected people built into decision-making, as well as grievance mechanisms. Providing a platform for dialogue and negotiation is needed to share in both the benefits of mining investment in a region, as well as the potential negative impacts of projects on people and the environment.

Community agreement-making is a key mechanism of stakeholder engagement in many jurisdictions (O'Faircheallaigh, 2013). The approach is not unique to the extractive industries, but is seen as well suited to address the sector's responsibility to share benefits locally and to mitigate risks of conflict with local communities (Oshionebo, 2019). The process of agreement-making is used in different contexts as corporate tools for better community relations and increasingly as a legal requirement (Otto, 2018).

Critical scholars have highlighted the unequal power dynamics between company, government and community and the politics that shape the conception and implementation of agreements. Irrespective of whether these agreements are voluntary or mandatory, the state has delegated authority in some cases to private companies to reconcile the competing interests, while preserving its legitimacy amongst opposing constituencies (Peterson St-Laurent and Le Billon, 2015). The purpose of better managing community relations and social performance by companies should not be to take the pressure off the role of state and local governments in building stable, prosperous resource regions.

Balancing diverse interests and fostering trust in regional economic planning and environmental protection is an inherently political process that should be convened by the elected office-bearers. The trend in resource governance has been to establish multi-stakeholder mechanisms within a clear regulatory framework. There are some examples of successful multi-stakeholder governance of resource-rich regions, for example in Central Queensland, where industry has had a constructive and collaborative role to play (Eberhard *et al*, 2013).

Conclusion: from SLO to HRO?

In conclusion, does recognition as an HRO ultimately rest on having SLO? It depends on what is meant by social licence to operate, a much used and abused term in the mining industry. Rather than using the term as an ill-defined shorthand for community relations, it may be useful for practitioners to think of SLO more like a marriage licence than a mining licence, in the sense that the terms of the agreement are not always clear and will most likely change over time. Community relations practitioners in the mining industry are sometimes dismayed to realise that there is no direct return on social investment and years of partnership. However, understanding the deeper

meaning of social approval of a private sector project comes down to the same pre-requisite for internal alignment within an HRO, namely a shared sense of "us" rather than conflicting interests. Working towards a shared sense of identity and negotiating towards mutual interests is important, while acknowledging the unequal power dynamics between actors.

The concept of social licence between business and society is borrowed from the political philosophy of a social contract between the government and its citizens. It is a relationship based on conditional approval and trust. Evidence that the social contract is strong, for example, in Australia, is that the overwhelming majority of people cooperated quickly with the Covid-19 lockdowns, even when the measures may have seemed overly cautious and damaging to many peoples' livelihoods. A social contract or licence is when a relationship of trust exists, that the party in a position of power will do the right thing and behave in the general public interest, rather than for narrow private interests.

If companies are to develop and add value to mineral resources, then the basic bargain is that they first do no harm to people and the environment, and second, share the value widely within the region and communities. A high-reliability organisation would aim to fulfil these expectations, building social trust and recognition for its contribution. It may sound like a tall order in the current age of uncertainty, but the cliché that 'we're all in this together' does seem to be the distinguishing feature of a high reliability organisation.

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THE UNIVERSITY OF QUEENSLAND
AUSTRALIA

CREATE CHANGE

Contact details

Dr Kathryn Sturman
T +61 7 **33464006**
E **k.sturman**@uq.edu.au
W smi.uq.edu.au

CRICOS Provider Number 00025B