

ERM's Thought Leadership Event Held during Mining Indaba 2018

# Creating Social Value - Harnessing Data to Maximize Impact

## Highlights from ERM

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Social Performance  
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Lead, ERM

**Mzila Mthenjane,**  
Executive Head:  
Stakeholder Affairs,  
Exxaro

**Sven Lunsche,**  
Head of  
Corporate Affairs,  
Gold Fields

**Tom Butler,**  
CEO, ICMM

**Marinda Rasmussen,**  
Managing Partner –  
Africa, ERM



On the first morning of Mining Indaba 2018 ERM convened a group of senior leaders in the mining sector to engage on how companies can maximize the impact of their social and sustainability programs and drive shared value through the use of data.

Our panelists, presented above, shared their views and experiences on the topic, and ERM's Business Unit Managing Partner, Marinda Rasmussen, moderated the discussion.

This document highlights the discussion's key messages and insights.

# Introduction

There is renewed impetus for the private sector to contribute to societal sustainable development and demonstrate impact, especially against the United Nations' Sustainable Development Goals (UN SDGs). However, delivering and assessing shared value programs whilst managing stakeholder expectations remains a challenge for many companies.

Impact is about change and achieving outcomes – and not simply tracking inputs and outputs tied to stakeholder and corporate social investment programs. Ensuring a sustainable impact requires a robust understanding of social trends and challenges on the one hand, while also evaluating the company's contributions to the desired outcomes.

With this context in mind, leaders in the mining industry joined ERM to share their thoughts and experiences.



# Observations and Insights

## Establishing the Context

To frame the discussion Marinda Rasmussen acknowledged the mining sector's long tradition of social investments but highlighted the lack of clarity on both the social and business returns.

In this context, the aim of achieving shared value, which benefits both stakeholders and companies, has become a rallying point for action. The more companies are able to design programs that meet multiple business and societal outcomes, the more success is anticipated in building trust relationships that will grow future collaboration.

Marinda cautioned that it is undeniable that aligning expectations and goals remains challenging and that applying traditional stakeholder engagement and social performance monitoring tools does not always support the achievement of shared value. She welcomed the panel's insights into the potential way forward on shared value and how the Sustainable Development Goals will drive this approach in future.

## The Role of the Mining Sector in Addressing Global Challenges

Marinda introduced the ICMM's published guidance on how its members are encouraged to demonstrate contribution to the 17 SDGs<sup>1</sup>, and invited Tom Butler to share how the ICMM's members are responding to this guidance. Tom spoke positively on the SDGs and complimented the fact that they call on the private sector to deliver, and in so doing serve as an alignment tool across the private and public sector. Over the past two to three years, the priority of the ICMM has been to map the mining sector's value chain to the SDGs. This exercise has demonstrated significant overlaps with the mining sector having the potential to contribute positively to all 17 SDGs.



The key is for companies to identify their priorities of focus to ensure meaningful action. The majority of mining companies have been working on reporting on their contributions to specific SDGs. The next challenge though, according to Tom, is the lack of a consistent approach to reporting which will enable comparisons and synchronization of actions.

### **Delivering Shared Value**

Mzila Mthenjane shared that Exxaro believes that their reputation and ability to create shared value depends on a balanced triangle with the following vertices: purpose, strategy and stakeholder engagement.

In the case of Exxaro, Mzila stated that they play a critical role in terms of electricity supply within South Africa because their coal resources contribute to a third of the country's electricity generation. Their challenge then is ensuring that they seek further socio-economic development opportunities through their role in this value chain. He admitted that although the SDGs are helpful because they provide a systemic view of the challenge (as does South Africa's National Development Plan, NDP); the right balance needs to be struck with local needs.

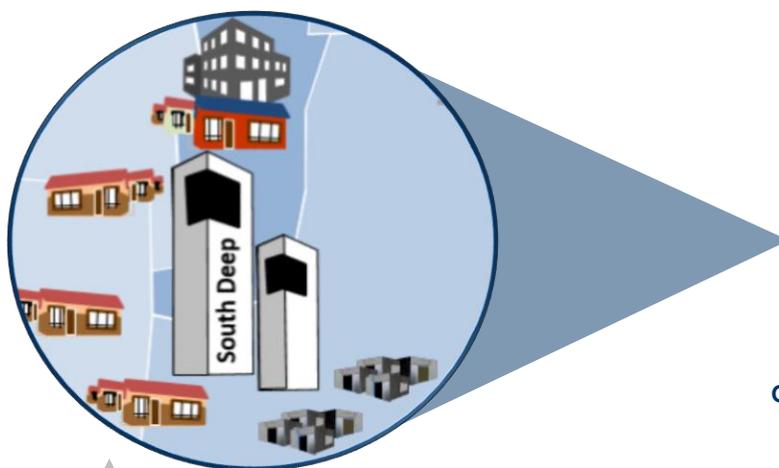
Sven Lunsche built on this by adding that mines are typically located in communities where mining is the main activity; as a result, the only way for mutual success is through a commitment to shared value. Historically, according to Sven, social investment programs have had a mixed impact and hence it became clear that there was a need to measure and test impact. Doing so has also been essential to secure management buy-in for social programs.

Another natural area of focus for Gold Fields has been procurement spend which represents the largest proportion of its spending: by moving their supply chains, where feasible, to host communities, they can increase the potential for sharing value.

*'Shared value is only achieved when the purpose of the company is aligned to societal needs'*  
Mzila Mthenjane



*'At Gold Fields, each mine has two shared value programs per year, which are part of the General Managers' balanced scorecard.'*  
Sven Lunsche



**Communities surrounding the mine**



**Gold Fields' Supply Chain**

## Overcoming the Barriers

There are barriers that need overcoming for the mining sector to ensure meaningful contribution to the SDGs and shared value.

This trust gap is based on historical relationships but also continues to be impacted by digitization, and the consequently more active or connected society, which has resulted in goal posts that are continually changing. This requires fast decisions by business, which are not typical.

Tom also admitted that the mining sector has been slow to evolve its approach to the social contract. Initially the focus was on employment, then environmental sustainability, followed by Corporate Social Responsibility (CSR); the challenge now with SDGs/ shared value is to **'do good, not just well'**, and to do this mining must become a partner at multiple levels – national, regional, local. Tom also cited limited forums for multi-stakeholder engagement as a barrier.

## Harnessing Data to Enhance Social Programs and Demonstrate Impacts

Marinda spoke to the fact that there has been increasing recognition by mining companies that to deliver meaningful social impact and value it is essential to use a broad set of data, and to better measure and track performance and contributions. Simply measuring inputs, such as the amount of money invested, or outputs, such as number of people trained, is no longer sufficient. Both Gold Fields and Exxaro have embarked on studies to understand their Social Return on Investment (SROI), and she invited Sven and Mzila to share how these studies have enhanced their social programs.

Sven started by saying that the mining sector has always had a narrow focus around measuring data. He said that Gold Fields realized that they needed a shift to consider the company's non-financial and non-operational performance. To achieve this, and develop a meaningful database of non-financial indicators to support management, has been a journey that started with adoption of the Global Reporting Initiative (GRI) approach to sustainability reporting a few years back. In the last year, they have – with ERM's support – developed a detailed socio-economic baseline at their South Deep mine to represent their socio-economic operating context and related challenges. They have also assessed 15 social projects to measure their SROI for each of these.



*'SDG 17 on partnerships is one such challenge because whilst partnerships are undeniably required to achieve the SDGs, partnerships are not a natural area for business, particularly given the trust gap between the public and private sector.'*  
Tom Butler

*'The importance of social data is only being recognized now whereas a mine project would not even be considered in the absence of data on geology, finance etc. Companies need to apply the same level of importance to social data.'*  
Mzila Mthenjane

In Mzila's experience, when it comes to social data, it is not always the final number that is important but rather it is the process of data collection, which allows you to build social capital. For example, the SROI process forces a company to agree a common starting point with stakeholders and then ensures that the company is tracking against the planned journey to achieve it. Similarly, this is where the value of the SDGs lies: a common language against which mining companies can track impact.

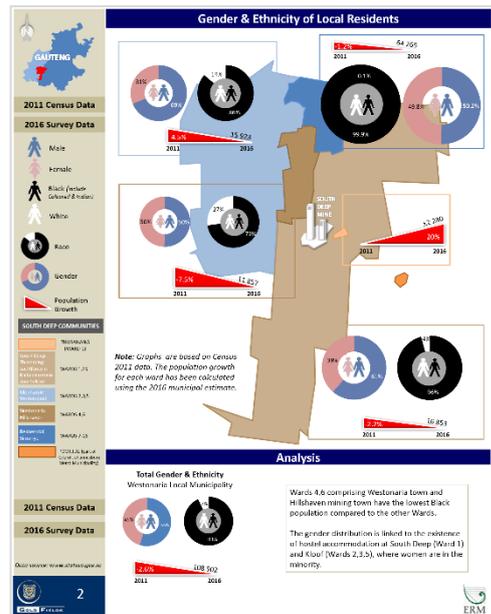
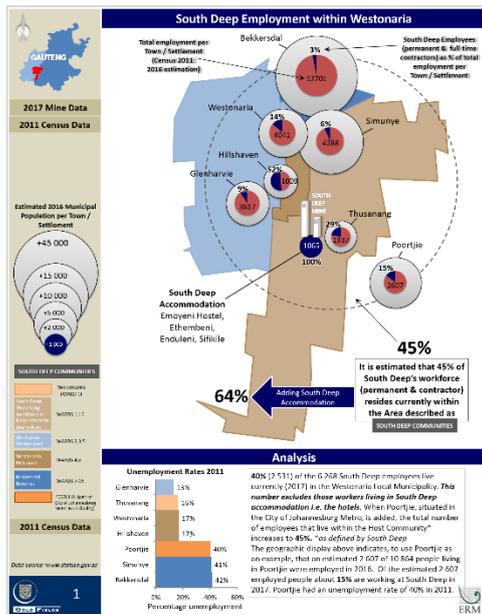


Mzila stressed that the more mining companies can track against these common goals (NDP/SDGs) the more they can build partnerships to achieve impact.

### Tools to Quantify the Value of Social Programs

The panel agreed that SROI is one useful tool to allow comparability, but there are others with the ability to quantify or value social programs. Deon Wessels emphasized that the key is to understand and measure change to the socio-economic baseline (as depicted in the images below), and to determine how the mine has contributed to this change. He suggested that companies ensure that the methodologies that they employ allow for recognition of both positive and negative impacts, and also for understanding of qualitative and quantitative indicators.

*'In some cases, there is a need to deploy multiple tools to tell the story accurately'*  
Deon Wessels



The role of mining in terms of social development also requires macro-economic studies that can best be completed through organizations like the ICMM.

Marinda also noted the potential role of technology to transform the collection and analysis of social data. Mzila agreed with Marinda's suggestion that the use of new technologies is changing companies' approaches to stakeholder engagement and social programs, particularly when it comes to mapping priorities through geospatial mapping. Identifying the right technology – one that is fit-for-purpose – is something regarded by Mzila as a *'definite challenge'*.

Sven also cautioned that it is impossible to rely solely on technology to collect meaningful social data. He stressed that the importance of personal interactions cannot be overlooked.

*'The first thing is to define what you want to achieve; for Gold Fields it is closer alignment with our host communities.'*  
Sven Lunsche

### **Priorities for the Mining Sector**

The conversation turned to the panel's thoughts on priorities for the mining sector to effect real social change and share value. It was Deon's opinion that companies need to clearly establish what shared value means to them. Mzila's advice was to take a step back and identify for whom you are creating shared value. Once you have established this, it is important to consider an equity approach, and maintain transparency. Sven added to this by stating that finding common ground is paramount to creating shared value, as is the establishment of partnerships with other stakeholders. Another priority raised by Tom was that of skills. General Managers can spend up to 80 percent of their time on community issues, and to address these effectively they need to be well-trained.

*"It's important that engagement is done on equal footing"*  
Deon Wessels



*"Shareholders can sell their shares if they are not happy, but communities will close your business – once you realize this then easier to drive for shared value."*  
Mzila Mthenjane



*"In the long term, trust is dependent on partnerships"*  
Sven Lunsche

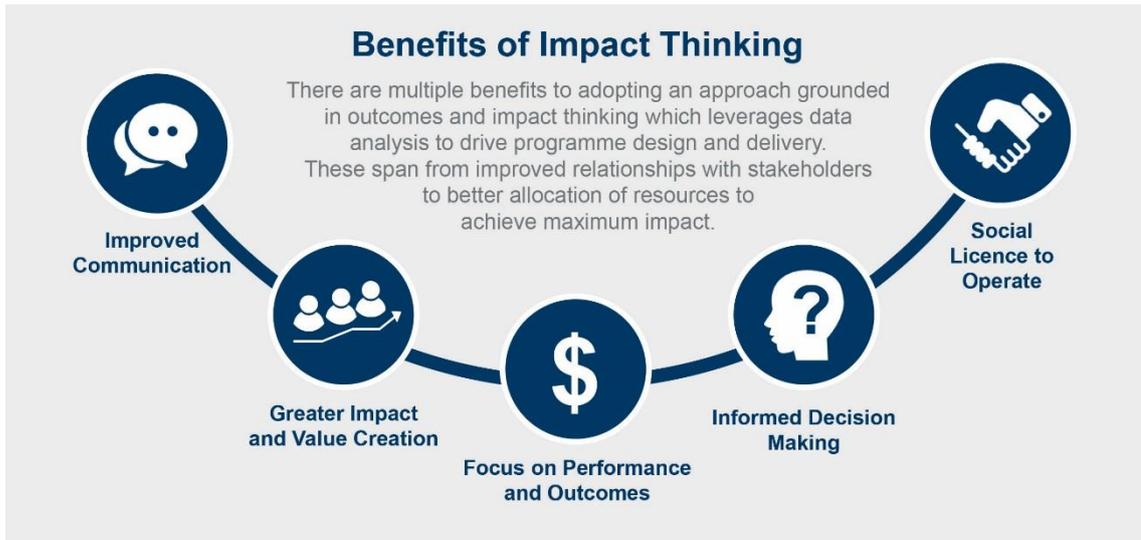


*"Communication and transparency are the only way to close the trust gap. This means that we also as an industry need to be open to criticism. We have just recently launched a social media campaign around 'mining with principles' – this is not our typical comfort zone but it is necessary."*  
Tom Butler



## Closing Thoughts

Whilst this is definitely a long journey, it is imperative that the mining and other sectors rethink their approach to the selection of the numerous social projects that are undertaken as part of the social license to operate or the Social and Labor Plans. Marinda closed the meeting urging all participants to think wider than just their own company footprint, to engage with stakeholders on an equal footing based on mutual trust and respect, and to imagine the collective impact companies can have if planning is done with a larger societal benefit as the objective. The benefits of impact thinking are considerable, as highlighted in the graphic below.



# About ERM

With over 4,500 people in 40 countries, ERM has been advising mining sector clients for more than 40 years in the areas of entering new markets, capital project support, and operating in a safe, compliant and sustainable way. This includes using information solutions to improve transparency and corporate reporting, as well as advising on a firm's social performance, and asset retirement strategies. The range of work we do for our clients gives us a broad based and hands on perspective to many of the more pressing issues facing the mining sector and hence a wealth of insights and advice we are happy to share.



To find out more how ERM can help you go to [www.erm.com](http://www.erm.com) or contact us:

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