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Energy, Environment and Resources Summary

Revisiting Approaches to Community Relations in Extractive Industries: Old Problems, New Avenues?

4 June 2013

INTRODUCTION[1]

On 4 June 2013, Chatham House, with support from Cordaid, hosted a one-day workshop with a group of 27 business leaders and extractives sector experts with the goal of identifying key challenges for establishing more constructive relations between communities and companies in the extractive industries, and to discuss available tools and best practices to do so.

Today, governments, industry leaders and international organizations recognize that creating cooperative relationships and trust with local communities is a central challenge for extractive industries. Instant communications empower communities to voice their concerns and demands more effectively, and democratization and decentralization in many countries is making governments more responsive to their grievances. At the same time, the practices of companies are also being scrutinized ever more closely by shareholders, international NGOs and home governments.

Community relations remain a particularly important challenge in emerging producer countries – such as Peru, Mozambique, Mongolia, South Sudan and Guinea – where environmental protection frameworks are often weak, communities lack political voice, and water rights and land tenure tend to be insecure. Demographic pressures and mounting environmental stress in many parts of the world will magnify such challenges in the future.

Recent cancellations and delays of several high-profile projects due to community concerns highlights that maintaining good relations with locals is an important vector for business success. A 2011 Citibank survey of nearly 400 of the world's largest greenfield mining projects found that two-thirds were at risk of substantial delays or cancellation.[2] A 2008 study of 190 oil and gas projects by Goldman Sachs showed that lead times to production had almost doubled in the previous decade.[3] A follow-up study found that nearly half of the risks facing projects were non-technical in nature, with 'stakeholder-related' risks being the single biggest issue.[4]

The costs resulting from delays associated with community conflicts are substantial. A day's delay for a mineral exploration project costs approximately $10,000. For a major mining project, the costs of every week of delayed production soar to an estimated $20 million in net present value terms.[5]

These risks are recognized by many business leaders. Ernst & Young, for example, has consistently rated 'maintaining a social license to operate' among the top business risks facing the mining sector over the past six years.[6] However, efforts to move community relations from the margins of corporate social responsibility to the centre of extractive industry business models have often failed to yield the desired results. Mistrust, strained relations and conflicts with locals remain a common occurrence in the sector.

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1 This workshop was developed by Jaakko Kooroshy (Research Fellow at the Energy, Environment and Resources Department of Chatham House) in close cooperation with Eelco de Groot (Technical Director Extractives Division, Cordaid), Oli Brown (Associate Fellow, Chatham House) and Prof Paul Stevens (Distinguished Fellow, Chatham House). The workshop was generously funded by Cordaid. Jens Hein and Gemma Green at Chatham House provided valuable support. We are grateful to Dr Deanne Kemp (Deputy Director Industry Engagement and Community Relations at the Centre for Social Responsibility in Mining, University of Queensland) and Glada Lahn (Senior Research Fellow, Chatham House) for helpful suggestions on the programme. We also would like to thank all participants for their insights during the workshop and comments on the workshop summary. We have tried to reflect the contributions as accurately as possible, all errors and omissions remain our responsibility. For questions or comments, please contact Jaakko Kooroshy at jkooroshy@chathamhouse.org.

2 Sainsbury, C., Wilkins, C., Haddad, D., Seeney, D. et al., (2011), *Generation Next: A Look at Future Greenfield Growth Project*, Citi Investment & Analysis.

3 Goldman Sachs (2008), *190 Projects to Change the World*, Global Investment Research.

4 As cited in Davis, R. and D. Franks (2011), 'The Costs of Conflict with Local Communities in the Extractive Industry', in D. Brereton et al (eds.) *Proceedings of the First International Seminar on Social Responsibility in Mining,* Santiago, Chile, 19-21 October 2011.

5 *Ibid.*

6 Ernst & Young (2013), *Business Risks Facing Mining and Metals 2013-2014*, p. 4.

Workshop overview and participants

Workshop participants included representatives of several major oil, gas and mining companies, academics specializing in extractive industries, civil society representatives, and expert practitioners acting as consultants in the field community relations. Corporate representatives included senior staff tasked with managing community relations across operations as well as executives with a broader portfolio. The group was geographically diverse, bringing together experiences from five continents. In order to facilitate a frank discussion, the workshop was held under the Chatham House Rule.[7]

The workshop consisted of four sessions, with introductory comments followed by roundtable discussions. The first session examined the 'state of the art' in managing relations between extractives companies and communities affected by their operations. The second session compared practices, conceptual frameworks and corporate processes for managing relations with locals in oil, gas and mining. The third session focused on innovative tools and available best practices, followed by the last session that summarized the key findings of the day and discussed recommendations for businesses.

The workshop report identifies key themes and findings from the discussions across the day. Many of the recommendations are focused on companies' handing of community relations, which was the main focus of the workshop. However, the group stressed the importance for further work to examine lessons and identify best practices for other stakeholders, including governments, local community representatives, NGOs and investors.

THE STATE OF THE ART IN MANAGING COMMUNITY RELATIONS IN OIL, GAS AND MINING

Expectations have increased among communities and other stakeholders

Local communities have received increasing attention from the extractives sector in recent years. Global norms, policies and standards all point to an acceptance of 'social responsibility' as a key indicator against which the industry is being judged.

A civil society representative argued that while practices continue to vary widely, a 'common ethics' or normative framework for the role and rights of communities affected by extractives projects has emerged. This normative framework centres on notions such as a rights-based approach to development, free prior and informed consent, joint decision-making, shared benefits and the responsibility for companies to mitigate adverse environmental and social impacts from their projects. The need for companies to consult with communities is increasingly framed as a human rights issue, with a growing number of lenders and governments not only requiring environmental and social impact assessments, but also human rights impact assessments.

Since the late 1990s, major multinationals and industry organisations have developed extensive guidelines and processes for engaging with communities, often under intense public pressure from civil society. One company representative noted that principles developed under UN auspices for the free, prior and informed consent of indigenous peoples are increasingly regarded as the 'gold standard' in the industry, also applying to the engagement with 'non-indigenous' communities.

Some local communities have begun proactively to define processes and goals for their collective engagement with extractives companies that operate in their vicinity. In some cases, this included systematic networking and learning from other affected communities around the world and the targeted development of negotiation capacity, as well as efforts to access to legal and technical expertise.

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7 The Chatham House Rule originated at Chatham House with the aim of providing anonymity to speakers and to encourage openness and the sharing of information. It reads as follows: 'When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.'

'Community relations' has become a distinct field of professional practice

'Community relations' is also emerging as a distinct field of professional practice in extractive industries. Large companies have established dedicated teams to manage 'community engagement' or 'community development'. Major projects often have several staff members focusing exclusively on community relations, e.g. as 'community relations officers'.

Furthermore, companies rely on specialized consultancies to build ties with local people, conduct social and human rights impact studies and evaluations, and settle conflicts and negotiate agreements. Community relations in extractive industries has also become a distinct field of academic inquiry, as shown by the emergence of dedicated research centres (including for example the Centre for Social Responsibility in Mining at the University of Queensland).

Box 1. The business case for engaging with communities

There is a strong business case for proactive engagement with local communities that is focused on establishing trust and preventing destructive conflicts.

The lion share of costs associated with community relations is related to the time-consuming nature of engaging with local people that can slow down project development. A mining exploration project that in the past would have been completed in two drilling seasons, for example, now requires three or four drilling seasons for completion, mainly due to the need to establish environmental and social baselines and conduct extensive impact assessments. In contrast, direct cost for community engagement tend to be 'negligible as a budget line' for major extractives projects.

Expenditures can be somewhat higher in cases where companies agree to benefit-sharing or compensation agreements that entitle communities to a share of the project revenues, but even under such arrangements they typically still constitute a relatively small fraction of overall expenditure.

Neglecting community concerns, however, creates financial risks that far outweigh these costs. A speaker with experience across a wide range of projects stated that 'cost ratios on the old adage 'prevention is better than cure' can sometimes be as high as ten to one'. Others agreed and noted that the cost ratio may be even higher.

The speaker related the example of a resettlement project near a mine in Asia, which was budgeted at $2 million 10 years ago, but failed to launch due to a breakdown in community relations. Since then, the company has spent $6 million to compensate landowners for short-term land access, and now estimates that an additional $17 million will be needed to complete the resettlement. This estimate excludes the substantial opportunity costs resulting from delays to the project schedule and the time and energy spent by managers in dealing with the issue.

Tense relations with local communities nonetheless remain a common feature of the sector

Despite growing attention on the importance of community engagement, the group agreed that oil, gas, and mining companies frequently fail to establish and maintain cooperative relations with affected communities. Several experts noted that there is often a considerable gap between the 'language of engagement' that characterizes company discourses on community relations and the experiences of staff dealing with affected communities.

The results of field research across several extractives projects show that communities frequently describe the dynamic as a 'user-relationship', in which the company engages 'when it wants something'. In these studies companies' 'inability to listen is cited over and over again'. In many cases companies miss 'the first pass' to establish trust with locals during the development of new projects. While the consequences may not be immediate, it can be the starting point for troubled relations that can negatively affect project outcomes for years into the future.

Even where companies succeed initially in establishing good ties with communities, they can deteriorate over time. Companies may ‘do their homework’ during the initial stages of engaging with local people, but in some cases fail to use this knowledge and translate it into constructive practices. Corporate assurance processes to flag such problems do exist in major corporations, but, according to several industry representatives, often do not work very well.

Conflicts often erupt as a project shifts from one phase into another. A representative of a major mining company provided a number of examples, including projects shifting from the exploration and construction phase to the operational phase (when employment opportunities are reduced and environmental impacts tend to increase), asset transfers (with a new company with different staff and management style taking over), and following closure (when benefits cease to flow but legacy issues can continue to affect the community in the future).

REASONS FOR BREAKDOWNS IN MANAGING COMMUNITY RELATIONS

Engrained perceptions and attitudes among corporate decision-makers and project staff about the role of community relations present a central obstacle for better performance across extractive industries. It was suggested that ‘internal engagement is […] possibly the single biggest challenge’ to improved social performance and better relations with local communities.

The prevailing view in the sector is often that community relations are ‘core *to* business, but not *core business*’, as a speaker put it. Many leading companies are aware of the importance of consent from locals and the disruptive potential and costs associated with community conflicts. But community relations is nonetheless perceived as an essentially auxiliary function, necessary to clear the path to the actual business of extracting subsoil resources.

Extensive, proactive engagement with communities in this context may be perceived as time-consuming ‘distraction’ for project managers and technical staff, preventing them from ‘doing their job of delivering on tight budgets and timelines’, as one former executive of a major oil and gas company noted. In the eyes of many engineers and geologists, community relations officers should focus on obtaining community approval and ensuring access to land, and apart from that ‘stay out of the way’ of the project as much as possible.

Many participants working in the consulting or ‘applied research’ sector said they felt increasingly frustrated by the way mining companies conceptualise and respond to the social challenges they face. External communications of companies with regard to communities is focused on notions of ‘engagement’ and ‘shared interests’, but on the ground the discussion revolves ‘primarily around community approval and operational access […]. After land access is negotiated, the focus is on ensuring that operational access is not disturbed.’

Such attitudes – which the group agreed to be an often pervasive feature of business culture in the sector – have wide-ranging implications for corporate practices in engaging with locals. The following five sections provide a list of issues facing extractives companies in managing community relations that can be interpreted as symptomatic of these attitudes.

Community relations practitioners are often excluded from key decisions

In day-to-day project management, community concerns and grievances can have a low priority. A researcher described how advice on the ‘social context’ from community relations practitioners is often not incorporated into the decision-making process by technical (often expatriate) staff, because it is considered outside of budget or scope, or ‘the projects folk just didn’t get it’. Others described how ‘it’s not possible’ is a frequent reaction to requests of community relations officers that would require altering project plans or schedules. Some project managers can be reluctant or uncomfortable to get personally involved with locals. One female community relations manager in a major mining company for example described reactions of a project manager as: ‘You go and talk to them – you’re a girl’.

Community relations practitioners in many cases have limited formal authority or influence in extractives companies. An executive warned that as community relations has become more institutionalized, they have also been pushed down the 'corporate chain of command'. Corporate representatives described how their ability to bring emerging community-related problems to the attention of senior management often depends on personal rapports rather than institutional channels. Where project managers and executives 'do get it', this can be the result of particular individuals being sensitized to the importance of community relations. Managers for example tend to be more receptive if they previously worked on projects that were subject to serious disruptions due to tensions with locals.

Box 2. Differences in approaches to community relations between mining and oil and gas companies

Companies across extractive industries differ considerably as to how they manage community relations. Large, listed companies that are heavily exposed to reputational risks tend to have the most extensive corporate processes in place and deploy considerable resources around community engagement. Many leading extractives companies from emerging economies, such as Vale or Chinalco, also are developing such policies and guidelines. Exploration companies, smaller producers and many privately held companies have less formal processes in place, as they usually have 'less capacity at the policy level' and are not as exposed to reputational risks.

It was noted that these differences in policy do not necessarily always translate in tangible differences in performance. As one speaker explained 'in practice, on the ground, there is often little difference in implementation. This underlines the point that the failure is often in translating internally accepted principles regarding community relations into actual change on the ground.'

Although the principal challenges are usually similar, there are differences in how oil and gas companies approach the topic compared to mining companies. The larger local footprint related to mining often means that community relations receive greater attention and resources. One mining executive summarized his viewpoint as follows 'oil and gas sector is generally better with the 'strategic stuff', while mining companies tend to be better at handling the process on the ground. Oil and gas companies also operate differently: They work more top-down and are more likely to develop national or regional plans, while the activities of mining companies are often focused at the local scale.' An oil executive stated that mining companies tend to be 'more nimble' in their engagement with communities and are 'often doing a better job than the oil industry.' Another former executive from the sector agreed, noting that 'there's a lot to learn from mining', as the 'shale revolution' means that the hydrocarbons industry is likely to become 'more on-shore' again.

Jurisdictions also matter to companies' efforts to engage with communities. A participant noted that in Canada, where strict regulations in many provinces mandate extensive community consultation, even smaller exploration companies tend to invest heavily in community engagement. In many other producer countries, where such strict legal frameworks do not exist, Canadian exploration companies (which account for a significant share of the global mining exploration sector) are regularly accused of ignoring community concerns and often embroiled in conflicts with locals.

A 'fire-fighting mentality' can lead to inadequate planning and reactive engagement

In many extractives companies, absence of explicit disapproval by locals is interpreted as consent. As one speaker put it, relations with communities are often seen by companies as something that can go wrong, but not as something that companies can get right.

As result, engagement with locals has a tendency to be reactive and geared towards managing conflicts rather than proactively focused on creating strong partnerships. The concerns of communities may only become a priority to senior management once relations deteriorate to the extent that they threaten the smooth running of a project. It was described how in some cases the first reaction to escalating conflicts is to 'throw money at the problem' or attempt to 'buy consent' of locals. Comprehensive engagement sometimes only follows once all other avenues have been exhausted and resistance from locals reaches a level that threatens the viability of the project.

This ‘fire-fighting mentality’ is reinforced by inadequate long-term planning. Plans and budgets for community engagement tend to have relatively short time-frames of a few years at most. This stands in contrast to some other aspects of project planning in extractives – from cash flow calculations to construction plans or infrastructure – which have long planning horizons, sometimes stretching over decades.

Companies focus too much on implementing generic processes and too little on achieving better practices and concrete results

While many companies have a set of extensive corporate guidelines and procedures for community engagement, corporate practice can be more focused on the implementation of processes than on the achievement of results.

One senior executive who has been involved for many years in the developing such guidelines at a major mining company, warned that the community-engagement processes were at risk of ‘degenerating into lengthy ‘box-ticking’ exercises’. Time-consuming assessments, reports, and consultations may fulfil all procedural requirements, but in some cases fail to establish constructive relations with locals, to communicate critical issues to decision-makers, and to propose effective solutions to key community concerns.

Project managers may also lack incentives to invest in community relations. Cost over-runs, project delays, or safety lapses typically have immediate consequences for project managers, and good performance in these areas is key to career development in most extractives companies. In contrast, community relations performance is often not assessed systematically, and a poor track record does not always have consequences for the individuals involved. Project managers therefore may have few incentives to invest significant time and effort into establishing strong ties with locals or to prioritize community concerns over other project pressures.

Companies struggle to retain competent and motivated community relations staff

Improving ‘the interface between ‘technical’ and ‘social’ personnel’ is an important challenge for many companies. Field research indicates that professional recognition of staff working in community relations can be limited and they sometimes can be excluded or distrusted by their colleagues. One researcher focusing on mining stated that community relations practitioners, and particularly those with a local background, are sometimes ‘not privy to the mine plan and […] suspected of leaking sensitive information to the community to the detriment of the mine’. Others described projects where community relations staff had been housed separately or referred to by technical staff and project managers as the ‘department that we also have to deal with’.

In situations where community relations officers have limited power to shape processes, they can perceive themselves as buffers between the demands of the community and project managers – with little credibility on either side. One researcher described how in field interviews community relations staff ‘routinely talk about being used […] to put out fires in the community’.

High pressure in combination with limited reward and recognition can undermine the motivation of staff working in the field and contribute to high turnover. As one senior executive stated ‘we [extractives companies] ask an awful lot of them, and offer not much in return’. Long-term career prospects at the executive level are not always available for community relations officers, and remuneration tends to be lower than for technical and managerial staff. Mobility within the company can also be limited, as once staff has developed local expertise and personal ties with the communities surrounding a specific project, there are few incentives for management to move them to another project elsewhere.

Skills and knowledge are not developed systematically and companies suffer from intellectual outsourcing

Community relations are frequently ‘externalized’ by decision-makers, with many companies relying heavily on outside consultants to manage their engagement and conflicts with locals. This means that in-house know-how and experience on engagement with communities is often limited. Mistakes can be frequently repeated in different projects as a result of short ‘institutional memory’, undermining efforts to achieve a sustained improvement in relations with locals. An executive warned that obtaining outside advice, regardless of its quality, ‘was no good if you don’t know who is going to implement it, or don’t have the right people to implement it.’

Effective mechanisms for accumulating knowledge on community relations across sectors are currently limited, and there is an urgent need for more systematic exchanges of insights across projects and companies. Much of the relevant knowledge remains ‘locked up by confidentiality agreements’, which can prevent consultants and staff from sharing and discussing their insights. Academics have also struggled to negotiate the kind of access they would like, due to corporate concerns about reputation and exposure. Taken together, these constraints limit opportunities for developing research, sharing knowledge and formalising professional training programmes.

A WAY FORWARD: SHAPING A NEW APPROACH FOR COMMUNITY ENGAGEMENT

There is a need for the extractives sector to fundamentally reconsider how and why they engage with local communities. To reduce conflict and achieve more constructive relations with communities, business leaders in extractives needed to muster a sustained effort to change a deeply engrained business culture with regards to locals.

Many in the group were concerned, however, that with the current focus on cutting costs and scaling back of investments in the sector, budgets and staff numbers for community engagement would be among the hardest hit. It was argued that ‘the word “fragile” is very pertinent here. Not just concerning fragile producer states, but also fragile communities undergoing their own process of change, as well as fragile companies in the midst of a global economic downturn.’

Rethink the conceptual framework for community relations

The group agreed that the extractives sector needed to rethink the nature of their relationship with communities affected by their projects. Conceptualizing community relations as part of corporate social responsibility (CSR), as is common practice in the sector, was criticized as unsatisfactory. The CSR approach emphasizes how the activities of resource companies impact communities, and can implicitly relegate locals into a role as ‘bystanders’. It has little to say about the agency of local communities and does not emphasize their rights and their role in the decision-making process on the project. It also does not articulate an answer to what one speaker described as ‘the development question’, i.e. the role of extractives companies in the long-term development of their host-communities, a pertinent issue in the many resource-rich regions.

Companies should broaden their perspective and explicitly take into account the wider development context of the region in which they operate. Mega projects need to have the ambition to deliver ‘transformative’ change and produce ‘real, measurable impacts on the ground’, ‘that actually make a difference’ to the livelihoods of locals. For example ‘turning single-use [project] infrastructure into multi-use, and allowing community access to it, can be crucial’.

A speaker noted that it is in the interest of companies to focus on lasting development rather than hand-outs to locals: ‘The poorer people are, the easier it is to buy their acceptance, but this is a short-term solution. Often communities have a given idea of what they need at the outset of a project. If they are poor this will revolve around material needs, but when this is delivered they become aware of the things they are losing, and the social license to operate will disappear despite the fact that they were consulted initially.’

To achieve development impact, companies need to strengthen cooperation with their peers as well as communities and governments. ‘The whole idea that communities and companies are antagonists is a paradigm we need to get rid of’, one participant argued. Companies ‘ought to see themselves as members of a community, which they tend not to’ and consider how their projects can act as a catalyst for development. A mining executive stressed that companies need to begin to understand themselves as ‘being a responsible custodian of the resources’ both for locals and the country that they operate in. While there are instances in which companies engage in such broader alliances, such cooperation is still the exception in the sector.

Embrace genuine partnerships with communities and embed locals in planning and decision-making processes

Companies should engage with communities early on in the exploration phase and jointly define the process, agenda and timelines for their dialogue. They should also be open to engaging community representatives in the actual planning process for the project, rather than focus on obtaining community approval once the project plan has been finalized internally. Risks and uncertainties related to the project (e.g. the potential impact of exploration results or changing global market conditions) should be openly discussed. This dialogue should take into account not only the next few years, but the entire life-cycle of the project.

Participants explained that many executives in the industry are still clinging to the idea that they can define the scope and set the agenda for their engagement with communities, and there is a strong preference for clear boundaries on timeframes and outcomes of such processes. They are often reluctant to enter into an open-ended dialogue, fearing that this would raise too many expectations and that the project could get bogged down in an ‘endless series of meetings’.

Such ‘fears of losing control’ over the process are often unfounded. The group agreed that successful engagement with communities requires time and patience, but argued that evidence from the few projects where communities have been closely involved in planning and decision-making shows that this is rarely an obstacle to success, and indeed can yield tangible benefits for companies. Positive impacts can range from less frequent disruption and litigation to a more motivated work force and even better project planning. One consultant provided the example of a Canadian mine where an open dialogue with local indigenous tribes led to the redesign of transport infrastructure in order to reduce interference with surrounding heritage sites. Not only did rerouting of a key access road reduce tensions with the locals, but it also led to a more efficient design that reduced the length of the planned road by over 20 per cent.

Put the ‘no’ option on the table

Companies need to become more open to the possibility that after weighing the costs and benefits, local communities may ultimately decide to reject or postpone a project. As a matter of principle, ‘the “no” option belongs on the table’ a speaker explained. A civil society representative stressed the importance of taking seriously indigenous peoples and other communities’ rights to self-determination.

Whether or not companies are willing to discuss this ‘no option’ is often a litmus test for how seriously companies are taking the concerns of locals and the extent to which they are willing to depart from an engagement model of the past, which is purely focused on gaining approval and land-access. As one senior civil society representative stated, companies have to learn to respect that ‘dialogue is not negotiating, and negotiating is not the same as giving consent’ to a project. An executive described the ‘long and hard fight’ that ensued with other departments when she suggested including the ‘no option’ as part of the negotiations.

Incidentally, accepting this ‘no option’ is unlikely to leave many projects undeveloped. Communities in most cases are keen to receive the financial and employment benefits that come with major extractives projects and where their concerns are effectively addressed, consent from locals is ultimately the most likely outcome. Where communities will not consent to a project despite extensive engagement, companies are well-advised to seek opportunities elsewhere as protracted conflicts with locals are likely to ensue around the project.

Box 3. What is the role of formal agreements between companies and communities?

Formal agreements (such as community development agreements (CDAs), impact benefit agreements (IBCs) or indigenous land-use agreements (ILUAs)) between extractives companies and communities affected by their operations have become increasingly common feature in the sector. The use of such agreements to clarify rights and benefits of communities is being advocated by many civil society organizations as well as international donors such as the World Bank. Several countries, including the DR Congo and Guinea are currently considering making such agreements a legal requirement for large extractives projects, as is already the case in Sierra Leone, South Sudan and Afghanistan.

While the group was broadly supportive of such agreements, several participants emphasized that, in themselves, they were unlikely to be a guarantor of good relations with locals. 'You have to have a good relationship to make an agreement work, and the agreement should be a reflection of that relationship. The problem comes when you use an agreement as a substitute for developing a relationship' a speaker explained. Agreements should be sufficiently flexible to provide space for a learning process and adjusting mutual expectations. 'Community-company relations, like all social relationships, are very dynamic and constantly changing. They need continuous investment and are subject to change as the social context alters and as individuals on both sides enter and leave the picture'.

The focus needs to be on the implementation of the agreement on the ground, rather than on the negotiations or precise modalities of the agreement. In many settings, sustained capacity-building on the community-side will be necessary for such engagement, and the mechanisms through which such activities can be funded on a sustained basis present a key challenge. For example, it is necessary to find appropriate ways to provide independent and competent legal advice to affected local communities.

Use the sector's 'safety journey' as a model for change

In order to achieve substantial improvements in community relations, tinkering with corporate policies and generating new guidelines is likely to be insufficient. Rather, deep-seated attitudes and business cultures need to change across company departments.

The group suggested that the success of many leading extractives companies in radically improving their safety record could provide valuable lessons in this regard. Targeted efforts to change business cultures and attitudes towards safety have been an important feature of these strategies, as have other elements such as ambitious performance targets, new procedures for responding to whistle-blowers or accidents and safety breakdowns, and the inclusion of safety performance in assessing management staff.

This successful 'safety journey' in parts of the extractives sector could provide business leaders with a mental model for considering the resources and type of effort needed to integrate a community-oriented approach into the 'corporate DNA'. In particular, it is important to learn more effectively from engagement failures and instances were relationships have broken down. 'Negative experiences must not be hidden, but rather made public as much as possible' a speaker suggested.

Reward performance and foster systematic knowledge exchange

Performance with regard to community relations needs to be evaluated more rigorously and tied to stronger incentives for decision-makers. As is the case with other aspects of a project, these evaluations should be reflected in the overall assessment of project managers and senior staff, and influence their remuneration and career prospects. Companies also need to do a better job of assuring project managers that they will not be held responsible for delays resulting from the decisions to consult with locals.

A representative of a leading oil and gas company stated that in her company, community relations had recently been made an ‘auditable item’, meaning that it contributed to the performance evaluation of managers. Some mining companies are experimenting with similar approaches, though so far such assessments performance with regards to community relations remain the exception rather than the rule. The group also stressed that while it was important to assess whether processes such as social impact assessments have been carried out, too little emphasis is given to whether the issues that such assessments highlight have subsequently been addressed and corporate practices have been adapted.

Extractives companies should make greater efforts to cooperate across the sector, as well as with knowledge institutions, to develop expertise and foster innovation on how to engage with communities. Sharing experiences and systematically evaluating both successful and less successful case studies was seen by many participants as essential. To develop what one participant described as a ‘knowledge repository’ on community relations it is necessary to selectively relax the strict confidentiality rules in this field for staff and consultants.