

EVALUATION OF SOCIAL LICENSE TO OPERATE (SLO) IN THREE BLOCKS OF PT. XYZ

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ABSTRACT

Mining companies around the world often face high socio-political risks, especially due to their impact on the environment. One indicator of this risk is the Social License to Operate (SLO). This study examines how the community accepts PT. XYZ in terms of achieving the Social License to Operate (SLO) as part of the company's commitment to community involvement. This study is a qualitative study, where the study was conducted by distributing questionnaires to community groups first to obtain qualitative data, then continued with interviews and focus group discussions (FGD) to gain broader and deeper insights into the perceptions of each community group regarding expectations related to the company's programs. The results of the study will then be linked to the relevant Sustainable Development Goals to see the relationship and contribution to the company's sustainability goals.

Keywords: *Social License to Operate (SLO), Sustainable Development Goals (SDGs), Sustainability*

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INTRODUCTION

The contribution of mining companies to GDP Indonesia, the mining and quarrying sector contributed 12.22% to national economic growth in 2022 (KONTAN (kontan.co.id, 2023). In addition, the absorbed workforce also increased by 11.7% in 2022 compared to 2021 (Statistics, 2023). At the same time, the contribution of the mining sector to Indonesia's GDP decreased slightly from 4.5% in 2019 to 4.3% in 2020. 2019 to 4.3% in 2020. As Indonesia's coal and metal production and exports largely declined in 2020 due to weakening global demand during the COVID-19 pandemic, the mining sector's contribution to GDP also declined. However, mineral and coal prices strengthened significantly in 2021 and 2022 following a strong demand recovery from the COVID-19 pandemic, with commodity prices further strengthened by recent geopolitical tensions. As a result, the mining sector's contribution to Indonesia's GDP increased significantly to 6.3% in 2021 and 9.2% in 2022. In the first quarter of 2023, the mining sector's contribution to Indonesia's GDP reached a record 9.3%. In addition to higher coal prices, a significant expansion of nickel production supported by the Government's focus on downstream processing in the country has driven an increase in the mining sector's contribution to Indonesia's GDP. This is likely to continue with the increasing demand for minerals essential for the energy transition.

On the other hand, the community around businesses still feels the negative impact of excessive use of natural resources and mining. According to the Ministry of Environment and Forestry, throughout 2017-2018, eleven mining companies were found guilty of polluting the environment and were subject to different sanctions (Amelia et al., 2023). This makes it clear that companies should not only serve the interests of internal parties such as management and shareholders, but must also pay attention to the environment and the interests of the

community. If this is done, the company can carry out its business activities properly without causing conflicts with the community or the surrounding environment. Companies need to provide information about corporate social and environmental responsibility (Hidayat, 2017). In line with the theory of legitimacy, the disclosure of Corporate Social Responsibility (CSR) aims to convince stakeholders that the company has operated in accordance with societal norms and rules.

CSR disclosure has been regulated in Law of the Republic of Indonesia number 40 of 2007 concerning Limited Liability Companies, which explains the obligation to disclose CSR in annual reports. Although with these regulations, the majority of companies in Indonesia are still not aware of the importance of CSR, and even though laws related to the implementation and disclosure of CSR exist, in terms of accountability and transparency, CSR activities are still considered low. CSR disclosure in annual reports is still lacking because there are no special regulations that explain the disclosure of CSR information in detail so that the form and content in CSR reports tend to vary (Tambunan et al., 2020).

The research was conducted from September 2022 to February 2023. Using PT. XYZ as the object of study, this study will analyze, compare, and evaluate community acceptance in 3 new blocks that will be worked on by PT. XYZ with the aim of capturing public perception and acceptance of the company's operations, as well as to provide an important intersection between expectations and discussions of economic, social and environmental responsibility. The selection of the company is based on the plan of PT. XYZ carries out mining activities including laterite nickel ore mining according to the exploration results in Block A, Block C, and Block B.

METHOD

The method used in this study is a qualitative method. Qualitative research is research used to research on the condition of natural objects, where researchers are the key instruments (Sugiyono & Lestari, 2021). The research was conducted from September 2022 to February 2023.

This research began by distributing questionnaires to community groups first to obtain qualitative data and then continued with interviews and focus group discussions (FGD) to gain a broader and deeper insight into the perception of each community group regarding expectations related to the company's programs. Data collection and processing will be divided into three parts, namely the distribution of questionnaires to obtain quantitative data, then followed by in-depth interviews, document analysis, and others.

RESULTS AND DISCUSSION

According to (Boutillier & Thomson, 2011), social permits to operate (SLO) are people's perceptions of the acceptance of a company and its local operations. In Boutillier (2011), there is an arrowhead conceptual model that is used to independently assess the four SLO factors (economic legitimacy, interactional trust, socio-political legitimacy, institutionalized trust) by measuring the overall SLO level given by stakeholders.

In the case of the SLO of the third block of PT. XYZ, it was found that the three blocks were at the high acceptance/tolerance level with an SLO score of >3.08-3.56 at the high

acceptance/tolerance level (Boutillier, 2017) with relatively low values in terms of socio-political legitimacy for the three blocks

Analysis of SLO Score Assessment Results

SLOs are essential for all types of projects, both large and small, both privately owned and public, from infrastructure development to natural resource extraction (Baba & Dahan, 2023). According to (Hurst et al., 2020), SLO has become one of the determining factors for the success of projects in various sectors.

Based on the results of a survey conducted in three company blocks in September 2022, it was found that there was an SLO score of 3.28 in Block A, an SLO score of 3.31 in Block B, and an SLO score of 3.28 in Block C. This means that when viewed from the results of the SLO Index, the three blocks are at a high acceptance/tolerance level, which means that the company has had approval from the affected community.

Analysis of SLO score comparison results from each block

The concept of SLO symbolizes the growing aspiration of stakeholders to be involved in any project that will have an impact on the welfare of the community as defined by (Cui et al., 2022) which states that SLO refers to "the acceptance or approval of the community towards a particular corporate project or the entire ongoing operation of the company in the community."

This is in line with the findings of this study where, overall, the questionnaire data shows that companies have a strong level of support in the dimensions of Economic Legitimacy, Interactional Trust, and Institutionalized Trust. The public sees companies as entities that provide economic benefits, interact well, and can be trusted as institutions. However, in the socio-political dimension of Legitimacy, many people feel that they lack information or do not know about the socio-political role of companies. Therefore, companies can consider improving communication and transparency regarding their socio-political impact to increase understanding to the public, in order to adopt a more proactive approach.

Analysis of the relationship between the Company's SLO and SDGs

A Social License to Operate (SLO) is an informal approval and acceptance from the public and stakeholders of the operation of a particular company or project. SLOs are important to companies because they can affect reputation, operational sustainability, and long-term relationships with communities. SLOs encourage companies to operate in a socially and environmentally responsible manner, which is in line with many SDGs goals.

- SDGs 1 (No Poverty)

The Social License to Operate is relevant to SDGs No. 1 because this approach ensures that companies not only pursue financial gains but also contribute to poverty reduction and improved welfare of local communities.

- SDGs 7 (Clean and Affordable Energy)

The Social License to Operate is relevant to SDGs No. 7 where the company actively participates in providing environmentally friendly and cost-effective energy sources for the community by building the necessary infrastructure, making efforts to increase awareness of the efficient use of energy and the importance of renewable energy, and ensuring that the existence of projects does not harm instead of improving welfare and energy access, especially renewable energy, also supports access to energy. more widespread and equitable to clean and affordable energy.

- SDGs 9 (Infrastructure, Industry, and Innovation)

The Social License to Operate is relevant in supporting SDGs No. 9 because the company operates by contributing to the development of resilient infrastructure, inclusive and sustainable industrialization, as well as responsible innovation that focuses on the needs of the community by partnering with local communities and helping the community in terms of capacity building.

- SDGs 13 (Climate Change Management)

The Social License to Operate can be associated with SDGs No. 13 because in its operations, the company not only operates responsibly towards the environment but also actively contributes to global efforts to combat climate change.

- SDGs 17 (Partnerships to Achieve the Goals)

The Social License to Operate is closely related to SDGs No. 17 because the company's efforts to build strong and collaborative partnerships with various stakeholders, increase transparency and accountability, and support joint actions to achieve sustainable development goals in line with the goals of SDGs 17.

CONCLUSION

Companies need a good social license to operate because it has a significant impact on various aspects of their business operations and sustainability. Here are some reasons why a good company SLO is very important, especially for the sustainability of the company. To achieve good SLOs, companies need to adopt socially and environmentally responsible business practices, listen to and communicate effectively with relevant parties, and consistently contribute to the well-being of the communities and environments in which they operate. Thus, a strong SLO can be a valuable asset in maintaining the company's sustainability and growth.

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