



**The sustainability of  
corporate social responsibility spend  
by the South African  
mining industry**

Imraan Osman

11371332

A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfillment of the requirements for the degree of Master of Business Administration.

7 November 2012

## Abstract

One of the means South Africa has adopted to redress the social ills of the past is corporate social responsibility. This essentially places the onus on the business community within the country to take accountability of the social ills within the country and implement practices within their organizations to address these ills in a structured and sustainable manner. The extent to which and the manner in which this social obligation is discharged within the mining industry which represents one of the larger industries in the country formed the basis of this research.

To this extent, secondary economic data was used of listed mining companies over a five year period to understand the extent to which these companies have been contributing towards the cause of socio-economic upliftment. This data was contrasted against general industry data in an attempt to gauge mining company's commitment against the other industries operating within the country. In order to understand how CSI is interpreted and executed, 6 specialist interviews were held with senior management officials from different mining companies whilst 2 specific mining projects were considered to test the aspect of sustainability.

Based on the results, mining companies similar to other companies within South Africa have demonstrated real commitment to CSI through higher annual year on year contributions. The internal processes and resources committed to CSI signal that companies have recognized the importance of CSI as a key element to their own sustainability. The research further reveals that whilst a lot is being done and continues to be done, it clearly is not enough and the country as a collective needs to consider how best to exploit its CSI resources to ensure it reaches the appropriate needs areas and further focuses more on enterprise development.

100  
1908 - 2008



UNIVERSITEIT VAN PRETORIA  
UNIVERSITY OF PRETORIA  
YUNIBESITHI YA PRETORIA

Denklelers • Leading Minds • Dikgopolo tša Dihlalefi

UNIVERSITEIT VAN PRETORIA  
UNIVERSITY OF PRETORIA  
YUNIBESITHI YA PRETORIA

Denklelers • Leading Minds • Dikgopolo tša Dihlalefi

## Keywords

CSI – Corporate social investment

DMR – Department of mineral resources

MNC – Multinational corporations

MPRDA – Mineral petroleum and resource development act

SLP – Social and labour plan

## Declaration

I declare that this research project is my own work. It is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

**Imraan Osman**

7<sup>th</sup> November 2012

## Acknowledgements

A humble vote of gratitude goes out to the following people who have been instrumental during the execution of this research:

- My employer who has supported me through this period and accommodated me during this difficult time,
- My family for their patience and understanding, and
- My supervisor, Johan whose insights and calming demeanor has been a pillar of support throughout this process.

## Table of contents

<b>Abstract .....</b>	<b>ii</b>
<b>Keywords.....</b>	<b>iii</b>
<b>Declaration .....</b>	<b>iv</b>
<b>Acknowledgements .....</b>	<b>v</b>
<b>Table of contents .....</b>	<b>vi</b>
<b>Tables and figures .....</b>	<b>x</b>
<b>Chapter one: Introduction to the research problem.....</b>	<b>1</b>
1.1 Research title .....	1
1.2 Background to the problem.....	1
1.2.1 The Apartheid Era .....	1
1.2.2 The need for CSR in South Africa .....	1
1.2.3 The role of the mining industry in South Africa .....	2
1.3 Research motivation .....	3
1.4 Research objectives .....	5
<b>Chapter two: Theory and literature review .....</b>	<b>7</b>
2.1 Sustainable development .....	7
2.2 Corporate social responsibility .....	8
2.3 Methods of discharging CSR .....	11
2.4 CSR – Optical Philanthropy or Competitive Advantage.....	15
2.5 CSR as Corporate social investment in South Africa .....	18
2.6 Measuring CSI.....	19
2.7 Mining in Africa .....	21
2.8 SA Government intervention in CSR.....	22
<b>Chapter three: Research questions.....</b>	<b>25</b>
3.1 Introduction.....	25
3.2 Research question one (Theme one).....	26
3.3 Research question two (Themes two & three) .....	26
3.4 Research question three (Themes four & five).....	27
<b>Chapter four: Research methodology and design.....</b>	<b>28</b>
4.1 Research approach .....	28

4.2 Research design.....	29
4.2.1 Descriptive research – Level one .....	29
4.2.2 Exploratory study – Level two.....	30
4.2.3 Case study – Level three.....	30
4.3 Population and Unit of Analysis .....	31
4.3.1 Descriptive Study .....	31
4.3.1.1 Population .....	31
4.3.1.2 Unit of analysis .....	31
4.3.1.3 Sampling method and size.....	31
4.3.1.4 Data gathering .....	32
4.3.1.5 Analysis approach .....	32
4.3.2 Exploratory Study.....	33
4.3.2.1 Population .....	33
4.3.2.2 Unit of analysis .....	33
4.3.2.3 Sampling method and size.....	33
4.3.2.4 Data gathering .....	33
4.3.2.5 Analysis approach .....	33
4.3.3 Case Study .....	34
4.3.3.1 Population .....	34
4.3.3.2 Unit of analysis .....	34
4.3.3.3 Sampling method and size.....	34
4.3.3.4 Data gathering .....	34
4.3.3.5 Analysis approach .....	34
4.4 Research limitations .....	35
<b>Chapter five: Results .....</b>	<b>36</b>
5.1 Introduction.....	36
5.2 Macroeconomic dimension .....	37
5.2.1 Introduction .....	37
5.2.2 Key features of CSI in South Africa .....	37
5.2.3 Key features of CSI within the mining industry .....	38
5.2.4 Methods of determining CSI budgets .....	41
5.2.5 Basis of determining budgets .....	42

5.3 Industry view .....	42
5.3.1 Introduction .....	42
5.3.2 Approach to CSI investments .....	43
5.3.3 Business imperative .....	45
5.3.4 Distribution of CSI by development sector.....	47
5.3.5 Composition of the social and labour plan.....	48
5.3.6 Basis of allocation of discretionary funds.....	48
5.4 CSI Project view .....	49
5.4.1 Introduction .....	49
5.4.2 Specialist views.....	49
5.4.3 CSI process flow .....	50
5.4.3.1 Key features of the process flow .....	52
5.4.4 Process of collaboration .....	53
5.4.5 Selection of service providers to execute CSI projects .....	53
5.4.6 Case study of CSI projects executed.....	55
5.4.6.1 Project A .....	55
5.4.6.1.1 Background .....	55
5.4.6.1.2 Key outcomes of the project .....	55
5.4.6.2 Evaluation of Project B.....	56
5.4.6.2.1 Background .....	56
5.4.6.2.2 Key outcomes of the project .....	56
5.4.7 Further opportunities with CSI enablement.....	57
5.5 Conclusion.....	57
5.5.1 Research question 1 .....	57
5.5.2 Research question 2 .....	58
5.5.3 Research question 3 .....	58
<b>Chapter six: Analysis of results.....</b>	<b>59</b>
6.1 Introduction.....	59
6.2 Research question one.....	59
6.2.1 Introduction .....	59
6.2.2 Industry contribution statistics .....	59
6.2.3 Mining contribution statistics .....	60



6.2.4 CSI allocation philosophy .....	62
6.2.5 Conclusion to research question one .....	63
6.3 Research question two .....	64
6.3.1 Introduction .....	64
6.3.2 Basis of compliance .....	65
6.3.3 Stakeholder commitment.....	66
6.3.4 Composition of CSI budgets.....	67
6.3.5 Conclusion to research question two.....	69
6.4 Research question three.....	70
6.4.1 Introduction .....	70
6.4.2 Internal structures and resources .....	71
6.4.3 Evaluation of projects.....	73
6.4.4 Conclusion to research question three .....	77
<b>Chapter seven: Conclusion.....</b>	<b>79</b>
7.1 Introduction.....	79
7.2 Research background and objectives .....	79
7.3 Main findings .....	80
7.4 Limitations of the research.....	81
7.5 Areas of future research .....	82
7.6 Conclusion.....	83
<b>References .....</b>	<b>85</b>
<b>Appendices .....</b>	<b>90</b>
A. Interview guide.....	90
B. Informed consent letter.....	92

## Tables and figures

Table 1	CSI expenditure of top six industry sectors in 2009 / 2010.....	5
Table 2	Potential impacts of business on the poor.....	11
Table 3	Approaches to CSI activities.....	14
Figure 1	CSR can be measured through.....	19
Figure 2	Level of business integration of CR types and the potential for expected financial and social benefits.....	20
Figure 3	Research design.....	29
Figure 4	Nominal vs real growth in CSI expenditure over the past 10 years.....	37
Figure 5	Company A – Financial statistics.....	39
Figure 6	Company B – Financial statistics.....	39
Figure 7	Company C – Financial statistics.....	39
Figure 8	Company D – Financial statistics.....	40
Figure 9	Company E – Financial statistics.....	40
Figure 10	Company F – Financial statistics.....	40
Figure 11	Methods of determining CSI budgets.....	41
Figure 12	Approach to CSI investments.....	43
Figure 13	Reasons for undertaking CSI activities.....	44
Figure 14	CSI – aligned with business and / or industry sectors.....	46
Figure 15	CSI – aligned with stakeholder communities.....	46
Figure 16	CSI – aligned with core business and stakeholder communities.....	46
Figure 17	Distribution by development sector.....	47
Figure 18	CSI – Process flow of CSI project identification, execution and implementation.....	51
Figure 19	Selection of CSI service providers.....	54

## Chapter one: Introduction to the research problem

### 1.1 Research title

**The sustainability of corporate social responsibility spend by the South African Mining industry**

### 1.2 Background to the problem

#### 1.2.1 The Apartheid Era

Apartheid which was institutionalised into law in 1948 created a unique environment for South Africa in that it had similar characteristics to that of a capitalist economy whilst also facing communal problems of social exclusion (Arya & Zhang, 2009). During the apartheid era, through deliberate government action African, Indian and Coloured people were deliberately excluded from meaningful participation in the country's economy which inevitably led to large scale poverty and a profoundly sick economy (Juggernath et al, 2011).

In addition to the above, other visible symptoms of the apartheid era included (Arya & Zhang, 2009):

- Skilled labour shortages,
- Imposed inequalities in access to education for black South Africans,
- Reduced the mobility of the working-force population, and
- Created barriers to a well-functioning labour market.

#### 1.2.2 The need for CSR in South Africa

Based on the above, corporate social responsibility in South Africa therefore involves not only corporate citizenship, i.e. the integration of social and environmental considerations but also affirmative action and skills development to redress past apartheid ills (Ndhlovu, 2011). Given this perspective, Kolk & Lenfant (2010) suggests that the historical roots of CSR in South Africa started as local charity whilst post-apartheid, the focus shifted to socio-economic issues such as unemployment and affirmative action through black empowerment and health issues, particularly HIV Aids. In line with this, since the

election of the African National Congress in 1994, a number of CSR laws that cover various elements of empowerment have been enacted (Arya & Zhang, 2009). Much of the CSR agenda has thus been directly focussed on equality which has been expanded upon as follows:

“Equality depends crucially on the recognition and realisation of the rights of workers, women, children, indigenous people and other groups that have been historically oppressed, exploited and marginalised.” (Utting, 2007, p. 701).

Barkemeyer (2009) however suggests that “a number of previous researchers comment that the intended beneficiaries of CSR initiatives are either not adequately involved or are completely left out of the CSR agenda” (p. 276). From a global perspective, combating poverty, fostering sustainable development and addressing the rapid spread of HIV Aids is an urgent global imperative (Skinner, 2008). Considering Africa’s low level of development and high unemployment rates, the economic responsibilities of multi-national corporations (MNC’s) in Africa should therefore be at the core of their CSR priorities, followed by philanthropic, legal and ethical responsibilities (Hamann, 2003).

A further perspective is, that given South Africa is considered as a developing country, there have been various studies that highlight the economic viability of multi-national corporations (MNC’s) tapping into developing country markets (Barkemeyer, 2009). Kolk & Lenfant (2010) also suggests that there has also been a growing interest in CSR in such developing countries in recent years.

### **1.2.3 The role of the mining industry in South Africa**

The mining industry in South Africa accounts for approximately 19% of the country’s GDP (inclusive of the induced effects of mining) and directly employs in excess of 498 000 people within the sector (Chamber of Mines, 2010). In addition, the mining sector accounts for 43% of the 1.9-trillion of the value of the JSE at the end of 2010 (Chamber of Mines, 2010). Given this perspective, one would therefore assume an underlying moral responsibility from mining companies towards sustainable development and socio economic upliftment in their host country.

Sustainability of communities has however been ranked as the 3<sup>rd</sup> most significant external issue subsequent to commodity prices and the environment in terms of a sustainability reporting survey carried out using 40 large mining companies (Hutchins, Walck, Sterk, & Campbell, 2007)(Hutchins, Walck, Sterk, & Campbell, 2007). Despite significant effort by mining houses to appropriately discharge their onus in terms of social responsibility, based on the above survey mining houses appear to have not been completely successful in appropriately addressing this area of responsibility.

To counter the above disposition, government claims that it has instituted measures to bring about greater equity and bring in those that were previously disadvantaged, whilst at the same time mining companies similarly claim to be good corporate citizens (Dansereau, 2010). Critics however still charge mining companies with doing a little more than warding off the threat of nationalisation (Dansereau, 2010).

From the perspective of mining affected communities however nothing seems to have changed in the sense that communities continue to suffer the same ill effects on their ways of life, health and environment (Whitmore, 2006). Given that CSR is a vague and ambiguous concept subject to numerous interpretations (Cronje & Chenga, 2009), this research seeks to unpack the essence of CSR and its implication in South Africa.

### **1.3 Research motivation**

South Africa's divide between rich and poor is substantial with the country reporting one of the highest gini coefficients in the world in terms of both income and wealth (Bosch, Rossouw, Claassens, & du Plessis, 2010). Despite this, South Africa has one of the larger mining industries globally and mining in general is regarded as a major economic activity in many countries, providing an important source of labour and is critical in bringing about sustainable transformation in the country (Tubino, Nonita, & Devlin, 2011).

At the time of writing this report, the mining industry has fallen into an array of labour disruptions. What started as a wildcat strike at Lonmin (Marikana mine), the third largest platinum producer in the country has led to the massacre of 46 employees as a result and further regressed into large scale labour unrest in the town of Rustenburg based in

the North West Province of the country. In a CNN article titled “What’s behind South Africa’s mine violence”, the reporter was quoted as follows:

“It has gained ground in an environment where workers have been dissatisfied with improvements in quality of life since the end of apartheid, particularly for those in the lower wage brackets” (Chapple & Barnett, 2012).

Subsequently Anglo American Platinum and AngloGold Ashanti mine workers have since went on strike which then followed multiple strike action across the country in various industries. The countries sovereign credit rating was as a result downgraded and the mining industry is possibly facing large scale retrenchments. An article in the Huffington post titled “Striking SAfrican miners find strength in number” quoted the following:

“Many miners are bitter that the gold and platinum they dig up enriches others while they barely get by, often living in settlements with no running water or electricity. Some miners in Carletonville seemed angry and on the edge of violence, brandishing sticks, glowering toward passing motorists, even asking aloud whether they had become "dogs" in their own country.” (Muhumuza, 2012)

Considering that the mining industry has since the Lonmin strike become extremely topical and led to what could be coined an Arab spring in South Africa, the impact on CSI this industry has gained much more significance given the latest context. Accordingly the need for understanding mining companies roles within the country and the impact is has on the nation is fundamental in addressing past social ills as described above. Whilst there has been significant focus on CSR and optical commitment to the cause, one would have expected access to basic services to all citizens would have been a priority that should have been addressed at the fore.

This research therefore seeks to interrogate mining company’s commitment to sustainable development which would have a substantial impact in terms of poverty alleviation and sustainable development within the country if discharged in a meaningful and responsible manner. In addition, presented below are the top six industry sectors from a CSI perspective with the mining industry featuring as the top spender in terms of

CSI. This dynamic further gives emphasis to understanding the underpinnings of CSI within the mining sector which invariably will lead to the achieving maximum impact with CSI and addressing some of the concerns as expressed above by striking workers. To this extent, the study seeks to establish the impact business has on CSR and what learning's can be extracted from the study to improve on the sustainability of CSR projects executed.

<b>CSI Expenditure of Top Six Industry sectors in 2009 / 2010</b>	<b>CSI expenditure (R million)</b>
Mining & Quarrying	1084
Financial Services	553
Retail & Wholesale	547
State-owned Enterprises	342
Manufacturing	320
ICT	254

**Table 1: CSI expenditure of top six industry sectors in 2009 / 2010**

## 1.4 Research objectives

Through previous research studies such as those conducted by Cronje and Chenga (2009) and Habirano (2011), the necessity of CSR has been established and the criticality of its implementation in the mining industry has also been established. This research sought to move the discussion beyond the need for CSR to a point in evaluating as to whether CSR was being implemented in a meaningful and responsible manner and is achieving its intended objectives of sustainable social development.

Using the mining industry as a case in point, one of the objectives of this research was to understand the commitment of the industry to CSR through establishing the quantum financial impact the mining industry has made in terms of discharging its onus. A further objective of this research was to establish as to whether CSR is discharged in areas needed most in a meaningful and responsible manner and to this extent internal processes and projects executed by the mining industry was evaluated. Lastly, the sustainability of CSR projects was evaluated in order to establish as to whether the project will be in existence post the closure of mining operations which, as established in the literature review, has a finite lifespan.

The research is academic in nature given that it seeks to further explore the execution of corporate social responsibility in business and to establish as to whether the true essence of CSR is being internalised in the corporate world. The research is informed by substantive theoretical arguments and underpinned by a rigorous research methodology.



## Chapter two: Theory and literature review

### 2.1 Sustainable development

In order to appropriately interpret the term sustainable corporate social responsibility and obtain an understanding of the underlying relevance thereof, one would need to interpret the essence of each element of the terminology. Corporate social responsibility stems from the term sustainable development which refers to development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1987). According to Ferrer (2008), this definition has been generally accepted due to the following:

- Its simplicity is inspiring, and
- It can help politicians and organisational leaders to forge long – term policies in a society that usually prefers immediate results.

Vale, a mining company operating in Brazil further defines sustainability in its Sustainable Development Policy as “To operate with sustainability is to act with conscience and responsibility throughout the lifecycle of our activities” (Tubino, Nonita, & Devlin, 2011, p. 155). This research therefore focuses on the social aspect of sustainable development taking cognisance of Chichilnisky’s (1997) two axioms for sustainable development which is aimed at capturing the idea of sustainable development and charactering the welfare criteria that they imply:

- The present should not dictate the outcome in disregard for the future, and
- The welfare criterion should not be dictated by the long run future, and thus requires sensitivity to the present.

Chichilnisky (1997) therefore suggests that whilst sustainability requires sensitivity to the welfare of generations in the distant future, the welfare criterion should also offer sensitivity to the present. Given this perspective, Cronje and Chenga (2009) refer to the term ***The Social Dimension*** which is expanded into “Sustainable social development entails the long term transformation, improvement and continuous betterment of the livelihood of people in a given social context” (p. 416).

In order for social development to meet the above definition of sustainable development it therefore needs to be sustainable in the sense of not compromising future generations in meeting their own needs. Corporate social responsibility therefore frames an organisations sustainable development responsibility in terms of its corporate citizenship (Hamann, 2004).

## 2.2 Corporate social responsibility

Barkemeyer (2009) suggests that while CSR is not entirely a new concept, it has been adopted in many parts of the world in a similar fashion irrespective of being labelled differently. This concept dates back to the 19<sup>th</sup> century and is based on the premise that “alongside their economic and legal responsibilities, companies have ‘discretionary’ obligations to contribute to the public good” (Wadham, 2009, p. 59).

Theoretically, whilst the concept of CSR considers private companies as potentially important development agents particularly in partnerships with government and civil society groups (Hamann & Acutt, 2003), implementation of the same is inhibited by the lack of an agreed upon definition. Prieto-Carron et al (2006) define CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Prieto-Carron et al, 2006, p. 978). Prieto-Carron et al (2006) further distinguish between voluntary and mandatory action and suggest that the two are sometimes blurred in the developing world.

Adewale & Sarah (2012) however take a more definitive view and suggest that compliance to CSR by firms has been more of a regulatory requirement than a social obligation. The purpose however of corporate social responsibility is for companies to conduct business beyond legal compliance and beyond wealth maximisation (Lin, 2010) yet the concept appears to be underpinned by 3 distinct yet mixed up ideas (Rivoli & Waddock, 2011):

- It lacks an agreed upon definition, resulting in the concept remaining vague and ambiguous,
- The causal and empirical link between a firms profitability and CR remains unsettled, and
- On-going debate in terms of the appropriate role of regulations and laws versus voluntary CR programs in inducing certain corporate behaviours.

In support of the above Idemudia (2008) cites the following 3 interrelated factors that have been responsible for the limited conceptual understanding of CSR (p. 95):

- The complexity and absence of consensual definitions of the concepts of ‘CSR’ and ‘development’,
- The overemphasis on corporate responsibility to the detriment of reciprocal responsibility and the importance of local context, and
- Limited analytical focus in the research agenda.

In defending the criticism with regard to the lack of an agreed definition of CSR as alluded to by the above authors, proponents of CSR offer the following 2 reasons for the difficulty in achieving a consensual definition (Idemudia, 2008):

- Given that morality is based on socially responsible action, the substance of this moral value cannot be determined outside a particular context and time. In addition, “socially responsible behaviour is more of an attitude to be developed – a process and not just an outcome – rather than a clear cut ideology” (Idemudia, 2008, p. 96), and
- The 2<sup>nd</sup> reason cited for the lack of a common definition is the requirement to have any such definition hold up to critical analysis and scrutiny. Whilst a number of people have defined the concept of CSR in an attempt to address the position of CSR critics, it appears to still fail in addressing the criticism.

Ndhlovu (2011) however suggests that whilst CSR has increasingly become a fashionable concept, there remains a nagging feeling that its abstractness can render it meaningless. The above ambiguity makes it difficult to measure and manage the effectiveness of CSR, according to Martin Wolf of the Financial Times and CR discussions often fall into the following traps (Rivoli & Waddock, 2011):

- It is considered “intelligent operation of a business” rather than “responsible behaviour” if such activities are profitable in nature, and
- If it is not profitable, then in a competitive market it would not be carried out voluntarily and would need to be imposed using laws and regulations. As such, such activities are no longer considered CSR.

The anti CSR perspective suggests that from a neoclassical portrayal of a firm, the sole responsibility of the firm is to maximise wealth for its shareholders alone and suggests that shareholder wealth and CSR are inherently incompatible objectives (Gyves & O'Higgins, 2008). Contrary however to the anti CSR perspective alluded to above, the World Council for Sustainable development defines CSR as follows:

“Business is not divorced from the rest of society. How companies behave affects many people, not just shareholders. A company should be a responsible member of the society in which it operates. That means contributing to sustainable development by working to improve quality of life with employees, their families, the local community and stakeholders up and down the supply chain. It can mean a new kindergarten, a new clinic, health insurance, playgrounds, football pitches, it can mean biodegradable packaging, cleaner fuel for trucks, sortable plastic bottles. It’s a huge subject” (Culler, 2010, p. 359).

Considering the vastness of the definition coupled with the common traps that companies can fall into as articulated above, businesses can seek to maximise the positive effects on the poor whilst minimising the negative economic externalities as described in Table 1 below (Werner, 2009):

**Table 2: Potential impacts of business on the poor**

Positive	Negative
Provide jobs, salaries and benefits	Threaten livelihood
Provide product and services	Engage in non-competitive behaviour
Invest in research, development and training	Impose cost on others
Create private and public wealth	Exploit resources whilst giving little back
Trade with the poor	Create dependency relationships

**Table 2: Potential impacts of business on the poor**

### 2.3 Methods of discharging CSR

A consideration of the trade-off between CSR and profit suggests that there is a perception that CSR entails a zero sum trade-off and is strongly identified within neo-classical economies (Burke & Logsdon, 1996). Taking cognisance of the contradictory views alluded to earlier, there appears to be a need for establishing the underlying reasons associated with executing CSR projects. In an attempt to understand how CSR can contribute to development in developing countries, three different theoretical perspectives have emerged which essentially describe the underlying motives behind engaging in CSR activities and are further expanded on below (Idemudia, 2008):

- **The voluntary initiative perspective**

Underpinned by leadership and creativity, CSR should be self-regulated by business and can accordingly achieve the greatest contribution to development as a voluntary initiative. Government's intervention should be limited to fostering an environment that encourages good corporate behaviour.

- **The accountability perspective**

Considering the logic of capitalist production where wealth creation ranks superior, this perspective argues business needs to be held accountable rather

responsible to society. Given that business will continue to choose profits over social development, this perspective sees international regulation as an imperative.

- **The enabling environment perspective**

Key to this approach is the integration of the voluntary approach and government regulation with a view to creating an enabling environment that encourages and promotes CSR activities that achieve the desired impact. Central to this perspective is the latter elements which jointly contribute to CSR best contributing to development in developing countries:

- Stakeholder participation,
- Integration of voluntary and governmental regulation, and
- A CSR agenda designed to achieve the desired impact.

Skinner (2008) however suggests that “South African CSR contributions are regarded as cosmetic and self-serving” (p. 241). He further suggests that whilst there are many approaches to corporate social investment (CSI – a variation of CSR), very few meet the requirements of strategic CSI which relates to the maximisation of benefits for all stakeholders. Most CSI activities fall within one of the latter defined categories (Skinner, 2008, p. 241):

- Public relations management: Companies undertake CSI opportunistically with the emphasis on the publicity generated rather than on the social cause,
- Reputation focus: These programmes are seen as genuine efforts to make a developmental difference. Companies like to be seen to be ‘doing good’ and often derive short-term goodwill or licence to operate benefits,
- Charitable giving: Here companies make cheque book style donations to an ad-hoc range of causes. This method is not easy to track either for its overall impact or its effectiveness as part of a corporate strategy,
- Grant making: Here companies award funds according to pre-defined criteria. This involves keeping records of basic projects inputs and outputs such as

material supplied and the number of workshops held and the like, but seldom evaluates project impact over time,

- Social investment: CSI in this form implies a long term commitment in a project, with a stronger focus on returns. Social returns are defined from the outset and measuring outputs and evaluating impact are important project components. There is usually an exit plan once success and project continuity are reasonably assured, and
- Social change approach: These companies address system wide imbalances rather than isolate 'causes', so striving to alter the structural causes of social ills.

Whilst there is no standard approach to evaluating the economic feasibility in executing CSR activities, each investment should consider the cost-benefit impact and the following five conditions are offered for value adding CSR (Gyves & O'Higgins, 2008):

- Centrality – closeness of fit to the firm's mission and objectives,
- Specificity – ability to capture private benefits by the firm,
- Proactivity – degree to which the program is planned in anticipation of emerging social trends and in the absence of a crisis,
- Voluntarism – the scope for discretionary decision-making and lack of externally imposed compliance requirements, and
- Visibility – observable, recognisable credit by internal and / or external stakeholders of the firm

In establishing the sustainability of CSR projects, the above conditions will be evaluated in conjunction with the latter table as provided by Gyves & O'Higgins (2008):

Approaches to CSR activities	Focus of Activity	
	Not Strategic	Strategic
Source of motivation		
Coerced	No ↑ internal benefit	Low ↑ internal benefit
	No ↑ external benefit	Low ↑ external benefit
Voluntary	Medium ↑ internal benefit	High ↑ internal benefit
	Medium ↑ internal benefit	High ↑ internal benefit

**Table 3: Approaches to CSR activities**

The matrix model posits the latter premises in an attempt of establishing the orientation of the CSR project undertaken which in turn impacts on the distribution of the benefits that may result (Gyves & O'Higgins, 2008):

- Premise 1a – When CSR action is coerced and not strategically focussed there is a negligible increase in sustainable internal benefit,
- Premise 1b – When CSR action is coerced and not strategically focussed there is a negligible increase in sustainable external benefit,
- Premise 2a – When CSR action is coerced and strategically focussed there is a low increase in sustainable internal benefit,
- Premise 2b – When CSR action is coerced and strategically focussed there is a low increase in sustainable external benefit,
- Premise 3a – When CSR action is voluntary and not strategically focussed there is a moderate increase in sustainable internal benefit,



- Premise 3b – When CSR action is voluntary and not strategically focussed there is a moderate increase in sustainable external benefit,
- Premise 4a – When CSR action is voluntary and strategically focussed there is a major increase in sustainable internal benefit, and
- Premise 4b – When CSR action is voluntary and strategically focussed there is a major increase in sustainable external benefit.

## 2.4 CSR – Optical Philanthropy or Competitive Advantage

The underlying question here is whether a corporation can create wealth and in doing so does not harm society whilst at the same time redressing past social ills as well (Margolis, Elfenbein, & Walsh, 2007). In-depth questions confronting organisational scholars who study the impact of organisations on the lives of people include (Margolis, et al., 2007):

- How do we live with organisations that shape the distribution of costs and benefits, advantages and burdens within society?
- How do we live with organisations that infuse our lives with meaning, or fail to do so?

CSR as a concept therefore places the onus on companies not only to provide goods, services and employment but also quality of life for those affected by corporate activities; however given the abstract nature of the concept, CSR has transformed into a long list of corporate practices, one such being corporate philanthropy (Lin, 2010). Corporate philanthropy had become part of the widely accepted definitions of being a good corporate citizen as early as the 1960's, with allocating some portion of pre-tax profits to sustainable development becoming a common and expected practice of large firms (Vogel, 2005). Whilst the action appears to be philanthropic in nature, various literature examinations suggest that corporations only engage in CSR activities in order to secure legitimacy or competitive advantage (Arya & Zhang, 2009).

One of the three elements however, underpinning the definition of CSR is that it goes beyond philanthropic community investment and companies need to recognise the fact

that CSI involves not only the absolute quantum of spend discharged but includes the transparency with regard to the source of revenues and profits (Hamann, 2003). A study (Vogel, 2005) of businesses urban affairs programs between 1967 and 1970 suggests that the most important motivation for the establishment of corporate responsibility was one of enlightened self-interest. A further study carried out by Adewale and Sarah (2012) suggests that CSR engenders good perception of organisations by consumers and regulatory bodies in a way that favourably improves the organisations corporate financial performance.

Adewale & Sarah (2012) make reference to another CSR survey conducted in 2004 which suggested that many respondents concurred that their impression of a company improved by reading or hearing about the companies CSR activities. Accordingly the positive impression led them to purchase the company's products and further recommend the company to others. Companies therefore tend to embrace CSR as they hold the potential to increase profitability.(Adewale & Sarah, 2012).

In support of the above, Pelozo & Papania, (2008) make reference to the stakeholder linkage to the the firm concept based on firm behaviour. This concept suggests that “when a firms behaviour violates the norms embraced by a stakeholder community, the members of that community are likely to feel alienated and to disidentify with the organisation” (Pelozo & Papania, 2008, p. 173), which translates into negative perceptions of the firm. As such, CSR has a key role in building reputation as evidenced by a survey by Middlemiss (2002) which saw improvements flowing in many CSR fields, some of which include,

- Corporate image / reputation,
- Managing reputational risk,
- Employee relations,
- Supply chain,
- Improving market understanding,
- Sustainability,
- Maintaining a stable social environment,
- A licence to operate, and
- Benefits to the bottom line.

Given the above perspective, intuitively the business case for CSR then leads to the reasoning that being a better corporate citizen and acting in a more responsible manner is a source of competitive advantage to companies. Barkemeyer (2009) supports the above premise of competitive advantage and further suggests that “the business case is commonly grounded in arguments concerning the enhancement of a company’s competitive advantage, corporate reputation, resource efficiency, its beneficial impact on staff morale and CSR being portrayed as a proxy for competent management” (Barkemeyer, 2009, p. 275). Vogel (2005) therefore concluded that companies will be better equipped to avoid consumer boycotts, obtain capital at lower cost as well as attract and retain committed employees. In addition, the relevance and importance of CSR in the current economic landscape can be attributed to the following (Middlemiss, 2002, p. 360):

- Globalisation is pushing business from a shareholder model to a stakeholder model with information expectations changing accordingly,
- Calls for better corporate governance are exerting pressure on companies to define what transparency means and to whom,
- Intangible assets such as reputation, human capital, environmental assets and liabilities are dominating value creation and value loss, and
- In capital markets, the ability to attract investment, the cost of capital and share price volatility is all in step directly and indirectly with the transparency of the company.

Multinational corporations however tend to use the philanthropic aspect of CSR to get around regulation while minimizing their reputational damage (Hanlon, 2011). Whilst doing so, such MNC’s neglect in engaging the community properly which could lead to civil unrests, as often experienced by the extractive sector (Vogel, 2005).

On the other hand, there is the perspective of the communities. Hamann (2004) refers to the “community voice” which is a notion of community consent and whilst complex and problematic in nature suggests that projects should be based on the principle of prior informed consent, allowing communities to engage on the necessity of a particular project. In an attempt to get collective engagement with all stakeholders, one approach

considered appropriate is that of a community based sustainable development program which has the advantage of preventing the unnecessary creation of a wide range of potential community problems (Habirono, 2011).

Considering the above community perspective, scholars tend to argue a negative relationship between corporate philanthropy and corporate financial performance on the basis that managers tend to lack the expertise necessary for efficient investment in social betterment (Wang, Jaepil, & Jiatao, 2008). This argument is based on the premise that corporate involvement in philanthropy does not benefit a firm or its stakeholders and that firm's should use their valuable time to improve their operational efficiencies whilst non-profit organisations or individuals should champion the associated philanthropic aspects.

## **2.5 CSR as Corporate social investment in South Africa**

Corporate social investment in South Africa has emerged as a facet of CSR and has been defined as follows:

'The term corporate social investment – or CSI – encapsulates the essence of this shift towards more strategic programming as opposed to corporate philanthropy. An investment implies that a return is expected, a return in terms of social uplifting for the broad transformation agenda and, increasingly, a return for the business or industry itself...' (Ndhlovu, 2011, p. 81).

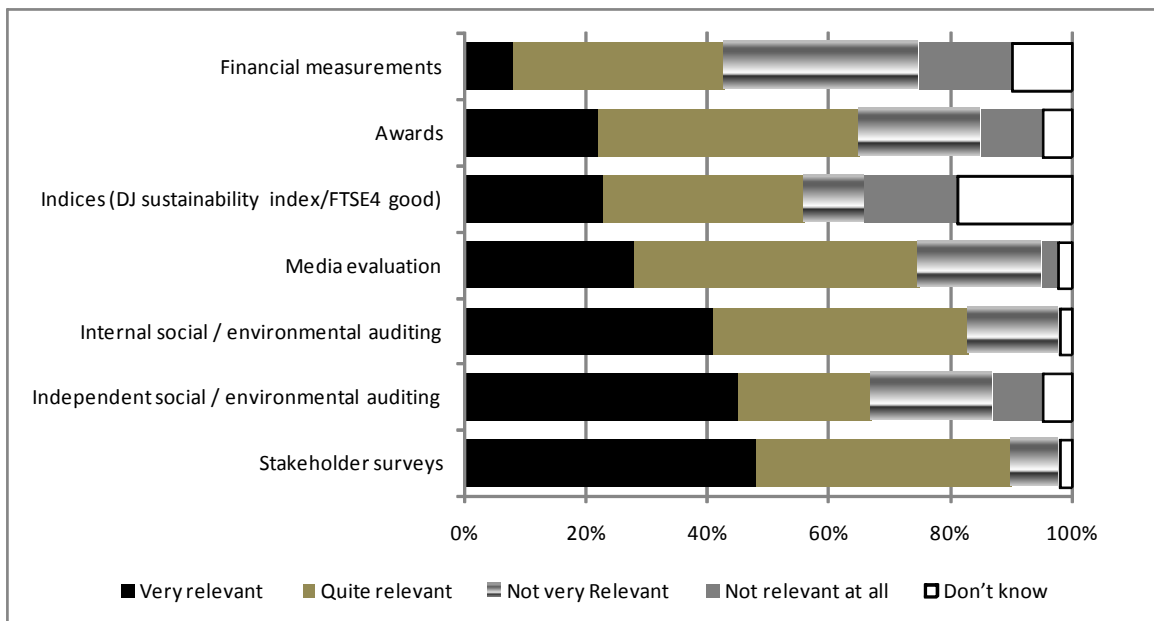
According to Ndhlovu (2011), within the South African context CSI activities have become more focussed versions of broader CSR and as such have become more concerned with sustainable development, governance and partnerships. Adewale and Sarah (2012) take this premise a bit further and suggest that "Simply giving is no longer enough for social investment" (p. 1694).

According to Adewale and Sarah (2012) there appears to be a strategic move to align corporate social responsibility with corporate strategy with the intention of achieving greater efficiencies in terms of the use of corporate skills coupled with maximising community investments. Skinner (2008) on the contrary suggests that CSI is a peculiarly

South African development emanating from the history and developments within the country. According to Skinner (2008), big business did not respond well to the term ‘responsibility’ in CSR as it linked them to the evils of apartheid whilst corporate social investment was more positively received as it suggested a business orientated outcome.

## 2.6 Measuring CSI

Whilst numerous arguments have been made about the potential benefits accruing to companies and its associated stakeholders through CSI activities, there appears to still be a need to generate more supporting and comparative evidence with regard to the impact of such initiatives (Prieto-Carron et al, 2006). Considering the hallmarks of best practice which suggest ‘If you can’t measure it, don’t do it,’ and ‘Measure twice – cut once’, illustrated below is the results of a survey conducted on various mediums that can be used to measure CSI in a corporate environment (Middlemiss, 2002, p. 358):

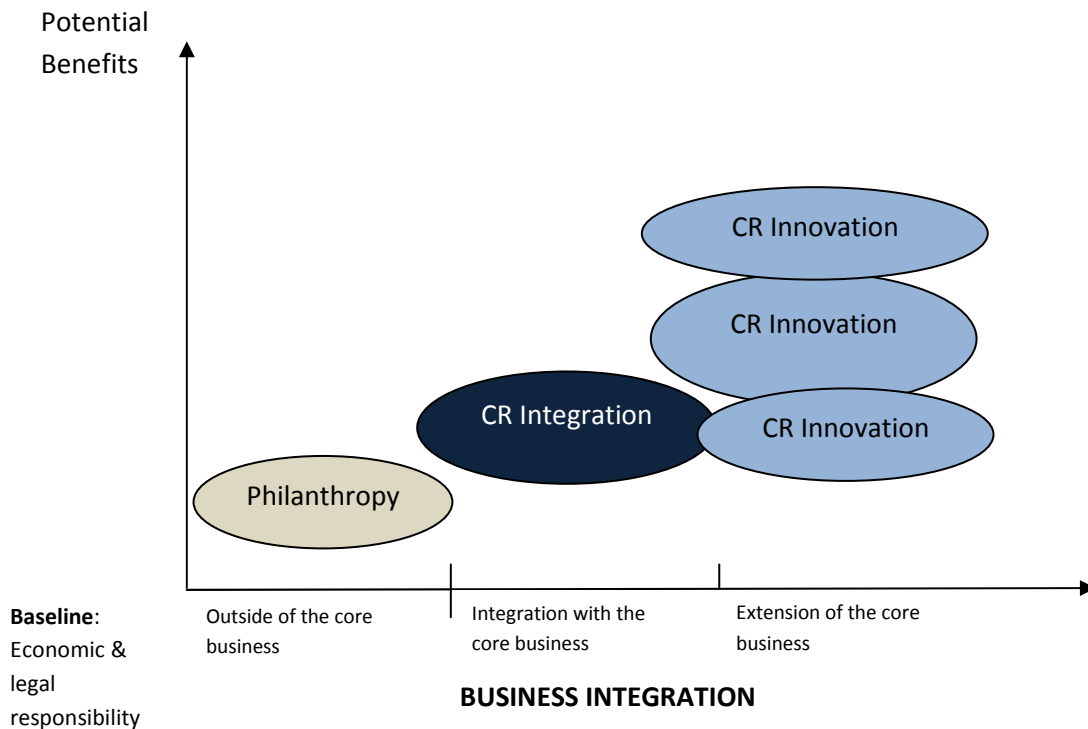


**Figure 1: CSR can be measured through...**

Halme & Laurila (2009) measure CSR in terms of the potential benefits associated with different types of corporate responsibility. Accordingly defined below is the three approaches that companies could adopted in discharging their corporate responsibility whilst figure 2

presents these options against the potential benefits of each approach. (Halme & Laurila, 2009):

- Philanthropy
  - Emphasis on charity sponsorship, employee voluntarism, etc.
- CR Integration
  - Emphasis on conducting existing business operations more responsibly.
- CR Innovation
  - Emphasis on developing new business models for solving social and environmental problems.



**Figure 2: Level of business integration of CR types and the potential for expected financial and social benefits.**

## 2.7 Mining in Africa

Africa has long exploited its mineral resources and is recognised as the world's top producer of numerous mineral commodities (African Union, 2009). Africa's vast wealth of natural resources remains uncertain, however the continuous discovery thereof is perceived as the future of the world's mining industries (Consultancy Africa Intelligence, 2012). This substantial endowment with the world's largest reserves of a number of minerals such as gold, platinum and titanium; the mining sector has been a crucial force in the country's industrialisation and modernisation process (Hamann, 2003)(Hamann R. , 2004).

Despite this and according to Moeletsi Mbeki, South Africa's mining wealth is a curse, enriching a few while the lives of ordinary people deteriorate (Dansereau, 2010). Cronje and Chenga (2009) in support of the above note that whilst the South African mining sector has been profiteering over many decades, the communities associated therewith have been neglected to the extent that these communities are now faced with social problems. A further consequence to mining which is still prevalent post the apartheid era is that most mining communities in South Africa are characterised by poor social and economic conditions and are plagued with poverty and unemployment (Cronje & Chenga, 2009).

In terms of sustainable development, whilst mines in general have a lengthy lifespan, they are in reality temporary activities and are based on the availability of mineral deposits and should mining towns therefore not implement survival strategies, they will not be able to survive post the mines closure. (Cronje & Chenga, 2009). Despite having to comply with regulation in order to secure mining rights, mining companies are still perceived by both governmental and non-governmental organisations to be irresponsible in their treatment of communities (Hamann, 2003). The mining environment has been further perceived as a 'dirty industry' with a record of poor environmental and social performance, primarily through low public opinion of the industry (Hutchins et al. 2007).

The perception of communities is also one of negativity where disadvantaged communities feel that they have been exploited for decades by the mining industry (Cronje & Chenga, 2009). A case in point is one described in Shells annual report, where whilst engaging in community development projects in the Niger Delta, more than

40 years post the discovery of oil in that area the communities still lacked access to basic infrastructure, electricity or pipe-borne potable water (Hilson, 2007).

Barkemeyer (2009) makes reference to the stakeholder concept and suggest that “companies tend to focus on those stakeholders who at least potentially have a crucial stake in their operations” (p. 276) and often tend to neglect those that are not seen as primary stakeholders. This inevitably disadvantages the less fortunate who do not have a stake in the business (Barkemeyer, 2009). In addition, the societal expectations faced by MNC’s are increasingly those of global standardisation with expectations defined by multiple external stakeholders which increasingly pressure MNC’s into new kinds of actions with regard to becoming socially responsible investment organisations (Rivoli & Waddock, 2011).

## 2.8 SA Government intervention in CSR

According to Gyves & O’Higgins (2008), in terms of the anti-CSR perspective; the only legitimate actor to address social concerns is the democratically elected government and any onus on firms is only towards its shareholders in the pursuit of wealth creation. In contrast to the above, Halme & Laurila (2009) are of the opinion that the ability of nation states to tackle disparities in wealth distribution and other inequities by traditional legal and regulatory means has proved inadequate.

Idemudia (2008) however suggest that in a developing country the boundary of responsibility between government and business is a fine one due to the specific context of the country. He further suggests that most discourse on CSR is underpinned by business having to take on responsibilities that generally resides within the realm of government and which is largely emanates from government failure (Idemudia, 2008). In terms of South Africa, the country is governed through a Constitution coupled with the South African Freedom Charter which states the following in addressing the social aspect of people sharing in the country’s wealth:

“The National wealth of the our country, the heritage of all South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole; all other industry



and trade shall be controlled to assist the well-being of the people; all people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and professions.” (ANCYL Discussion Document, 2010, p. 1).

To this end, the South African government has instituted legislation that laid the foundation for CSR activities, with codes of conduct as well as enacted labour laws (Ndhlovu, 2011). Underpinning this is the latter 2 government instruments which seek to regulate and promote the essence of the freedom charter; as articulated above:

- Mineral and Petroleum Resources Development Act (MPRDA), and
- The Mining Charter.

Through the MPRDA government has instituted regulation to uphold the requirements of the Freedom Charter, such as those applying for Mining Rights to have not less than 30% equity ownership and control by historically disadvantaged individuals (ANCYL Discussion Document, 2010). In addition, Regulation 46(c) iii of the Act requires mines to support infrastructure and poverty eradication projects in line with the Integrated Development Plans of the area in which the mine operates and its major labour sending areas (Cronje & Chenga, 2009).

Whilst the above measures were promulgated with the intent of addressing the social development needs of the country, it seems to have conjured up some unintended consequences. In an attempt to meet the above requirements whilst at the same time reducing the resultant economic impact of surrendering equity, mining companies took on BEE companies with access to sources of funding as junior partners (Dansereau, 2010). This had the unintended consequence of a concentration of empowerment transactions and the emergence of new elite, referred to as the ‘BEE Gentlemen’ (Dansereau, 2010).

The Mining Charter which is another government instrument was adopted in 2002 and also designed to promote sustainable growth and meaningful transformation of the mining industry. Amongst the objectives of the Charter (Department: Mineral Resources - Republic of South Africa, 2010), the following two objectives have contextual relevance to the issue of sustainable social development:

- To promote employment and advance the social and economic welfare of mine communities and major labour sending areas, and
- To promote sustainable development and growth of the mining industry.

The ANC in their draft document on Nationalisation state that the shortcomings with the Mining Charter was the manner in which mining companies implemented the various elements of the Charter which did not embrace the spirit of it (ANC Policy Institute, 2012). Accordingly, the ANCYL cites the following reasons in support for the nationalisation of South African mines (ANCYL Discussion Document, 2010):

- Nationalisation to increase the State's fiscal capacity and better the working conditions,
- Nationalisation as a basis for industrialisation,
- Nationalisation as a means to safeguard sovereignty,
- Nationalisation as a basis to transform the accumulation path in the South African economy, and
- Nationalisation to transform South Africa's unequal spatial development patterns.

It would therefore appear that the debate around Nationalisation emanates from the perception that the Government entrenched regulation in the form of the MPRDA and the Mining Charter are not achieving the desired objectives with mining companies not responding to the spirit of document in the manner in which it was drafted.

## Chapter three: Research questions

### 3.1 Introduction

Based on the above literature review, the core themes of relevance to this research related to:

1. South Africa is plagued with high levels of poverty, unemployment and lack of access to basic infrastructure and healthcare. Accordingly mining is perceived to not be contributing adequately to the countries pre-existing social ills and according to Moeletsi Mbeki, South Africa's mining wealth is a curse; enriching a few while the lives of ordinary people deteriorate (Dansereau, 2010),
2. Whilst corporate philanthropy is widely fashionable, Arya & Zhang (2009) suggests that corporations only engage in CSR activities in order to secure their legitimacy or licence to operate or competitive advantage,
3. Given the stakeholder concept (Barkemeyer, 2009), "companies tend to focus on those stakeholders who at least potentially have a crucial stake in their operations" (p. 276) and often tend to neglect those that are not seen as primary stakeholders.
4. Business should focus their efforts on shareholder value maximisation and leave CSI to state owned organisations and non-profit organisations. Accordingly Wang (2008) suggests that managers tend to lack the expertise necessary for efficient investment in social development.
5. Although mines in general have a lengthy lifespan, they are in reality temporary activities and according to Cronje & Chenga (2009), should mining towns not implement survival strategies, they will not be able to survive post the mines closure.

Taking cognisance of the fact that at the time of this research, the Mining Charter has been in force for approximately 10 years whilst the MPRDA for approximately 8 years, one would assume that such regulation has been successfully entrenched in order to

uphold the law as articulated in the above Acts. This research therefore sought to establish as to whether the essence of the requirements entrenched within these respective documents with regard to corporate social responsibility have been upheld in the manner intended. In order to establish the above, the following research questions formed the basis of this research study:

### **3.2 Research question one (Theme one)**

**What is the correlation between mining profit and CSR investment over the previous five year period?**

The mining industry has benefited substantially from both organic growth and the commodity boom driving higher prices over the past few years (Chamber of Mines, 2010), whilst at the same time these companies are being criticised for not contributing sufficiently to social development. This research question therefore sought to establish the correlation, if any, between mining profits and CSR spend over a five year period, in an attempt to understand whether companies uphold their moral obligation of returning more to its stakeholders than expected especially in times when profits are rising.

### **3.3 Research question two (Themes two & three)**

**Is there a structured approach within the mining industry to allocate its CSR spend to the appropriate needs area?**

Critics have charged mining companies of acting in an irresponsible manner when discharging their onus in terms of their social development obligation coupled with the above literature citing cases of a lack of community consultation and participation in establishing feasible sustainable development projects. This research question therefore sought to explore the method and means that mining companies employ in discharging their CSR funds and whether there is collective collaboration amongst mining companies, government and the communities prior to executing social development projects. It further sought to establish the link between actual needs and CSR spend through determining how mining companies determine the actual needs of the communities, e.g. surveys, community consultations, etc.

### 3.4 Research question three (Themes four & five)

**Do mining companies have structured processes in executing CSI projects and are these projects independently sustainable post the project close out?**

Sustainability is the cornerstone of CSR initiatives; thereby empowering communities to exist post the closure of mines. This research question sought to establish the sustainability of projects executed by mining companies post the execution, i.e. what steps are taken to ensure sustainability.

## Chapter four: Research methodology and design

### 4.1 Research approach

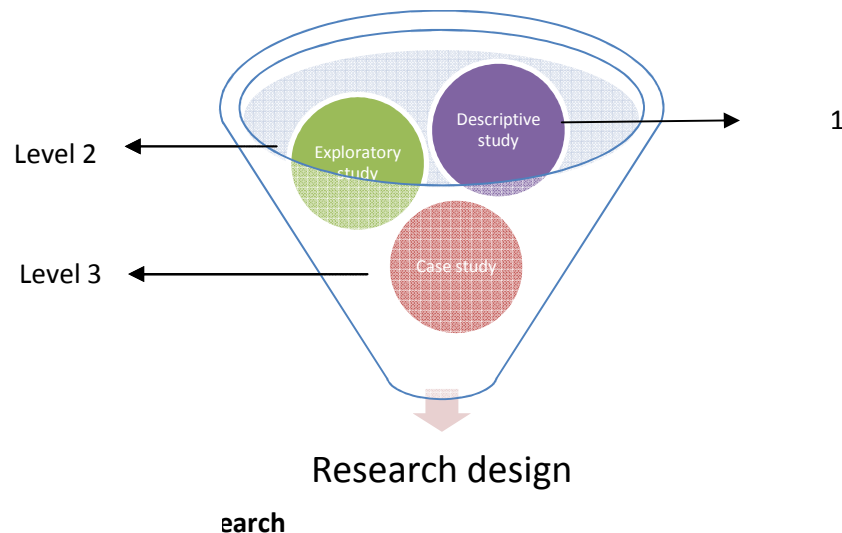
The research study has adopted both a qualitative and quantitative approach to collecting data to answer the research questions. This approach interrogated data on a macro level and cascaded it down to a micro level where meaningful inferences could be made on the mining industry as well as CSI projects executed. Both approaches were deemed appropriate given the nature of the research questions.

On a macro level understandings of the extent of CSR spend in relation to profits were warranted. To this extent, a quantitative approach was followed with a view to extracting industry financial data on profits and associated CSR spend relevant to the mining industry as well as other prominent industries that form the bulk of the South African economy. In terms of this approach, secondary data was sourced from the public domain. Saunders and Lewis (2012) define secondary data as that which was originally collected for some other purpose; hence listed companies formed the sample in order use information already in the public domain.

On a micro level, the quantitative data analysed for research question one in terms of mining companies was used as a basis for extracting samples for further analysis using qualitative analysis techniques. The qualitative approach was followed with a view to gaining further insight into the internal processes adopted by mining companies in discharging their CSR obligation coupled with establishing the sustainability of such CSR projects executed. In terms of this approach, primary data which is defined as being specifically collected for the research project undertaken (Saunders & Lewis, 2012) was collected through semi-structured interviews. Accordingly expert interviews was held with a representative employee from each of the selected mining companies in response to research question two whilst further interviews was held with a representative from the mining company associated with the CSR projects selected in responding to research question three.

## 4.2 Research design

The research design was informed by the research approach and the respective question being addressed and as such varied with each question posed. Overall, the research took place at three levels, with the results from one level informing the research design of the next. This three tiered approach was designed to cascade through each level of data in an attempt to answer the overall research question regarding the sustainability of CSR. Figure three below illustrates the manner in which the research will be approached at each level:



### 4.2.1 Descriptive research – Level one

In terms of research question one, a descriptive study was undertaken using secondary quantitative data from listed mining companies selected annual reports coupled with third party reports from non profit organisations. Given that a descriptive study seeks to describe accurately persons, events or situations (Saunders & Lewis, 2012), this approach was appropriate in re-analysing secondary data with a view to extracting correlations between the data.

A correlation analysis seeks to examine the extent to which differences in one characteristic or variable are related to differences in one or more other characteristics or variables (Leedy, 2001). To this end a simple correlation was run between two variables i.e. profits earned versus CSR expended over a five year period.

The results were then plotted on a bar chart to allow ease of visualisation. This approach was appropriate in addressing the research question which sought to establish whether a direct correlation exists between both variables and whether companies in actuality live up to their moral responsibility by discharging greater amounts towards CSR in times of greater financial performances.

Level one of the research further sought to establish the extent to which CSI has been adopted by South Africa whilst considering mining companies contribution towards CSI as compared to the remainder of South Africa's major industries. Secondary data was therefore presented to reflect year on year growth in contribution against inflationary trends of both the industry at large as well as mining companies.

#### **4.2.2 Exploratory study – Level two**

Given research question one sought to establish the extent to which a correlation existed between profits and CSR spend, research question two was posed to establish the underlying approach companies took in allocating and discharging this responsibility. To this end, an exploratory study was undertaken. An exploratory study is one which aims to seek new insights, ask new questions and to assess topics in a new light (Saunders & Lewis, 2012).

Based on the definition, the research design was therefore appropriate in providing the required insight into the internal processes companies employ in aligning community needs with CSR expenditure. Considering that mining companies are criticised for adopting CSR in order to comply with regulation, it stands to reason that much thought would not be offered to the process and the bare minimum of compliance would be the standard. Through the semi-structured interviews, the researcher was able to establish the thought process that companies adopted in allocating their CSR spend in an attempt of establishing as to whether it was done in a responsible and meaningful manner.

#### **4.2.3 Case study – Level three**

Research question three set out to establish the sustainability of CSR projects executed and accordingly a case study approach was followed. According to Saunders and Lewis (2012) case studies are particularly good at enabling the researcher to get a detailed



understanding of the context of the research and the activity taking place within that context. In order to answer research question three, a case study approach was followed using projects undertaken by a selected mining company. The intention of the study was to establish as to whether mining companies gave consideration to the issue of sustainability prior to executing a project and accordingly design their projects with sustainability thereof as a key objective.

The technique applied was that of holding semi-structured interviews with the CSI specialist involved with the execution of the two projects selected. Considering that the intention was to establish the context and the manner in which research projects are executed, the results of the two projects selected was then triangulated with a view to making meaningful inferences with regard to the sustainability of CSI projects as a whole.

## 4.3 Population and Unit of Analysis

### 4.3.1 Descriptive Study

#### 4.3.1.1 Population

The mining industry was defined as the total population. Given the vast number of various mining activities coupled with the significant number of participants in this industry, the sampling frame was limited to companies listed on the Johannesburg stock exchange (JSE) only.

#### 4.3.1.2 Unit of analysis

The absolute quantum of social development spend was the unit of analysis used.

#### 4.3.1.3 Sampling method and size

The selection of the mining companies used in this study was based on a quota sampling technique which is a type of non-probability sampling that ensures the sample selected represents certain characteristics in the population that the researcher has chosen (Saunders & Lewis, 2012).

In this instance, the sample was based on mining companies listed on the Johannesburg Stock Exchange (JSE), individually or through a parent listing irrespective of the commodity being mined. To this extent, companies included in the sample were chosen from across the spectrum from higher revenue earners through to the smaller companies. This method was considered appropriate given that the research sought to cover a substantial breadth of spend in the industry, whilst at the same considering the impact made by various sized companies across the industry. Based on this method, a sample of five mining companies was selected for further quantitative analysis. The data was collected over a five year period in order to factor in the volatility of the economic climate which could have influenced the correlation.

#### ***4.3.1.4 Data gathering***

Secondary data in respect of the quantitative analysis was extracted from the annual reports and third party reports. The data was then tabulated using simple spreadsheets and analysed with basic correlation techniques.

#### ***4.3.1.5 Analysis approach***

The secondary data collected was tabulated in terms of revenue, profits and CSR expended in each financial year. The data was then analysed in terms of the relationship between year on year revenue and profit growth against CSR spend. Hypothetical CSR contributions were then calculated based on the mandatory contribution percentages and compared to actual contributions in order to understand whether contributions were in line with expectations.

In terms of understanding how these funds were then expended, industry data in respect of CSR was further disaggregated and categorized into the various CSR initiatives, namely Health, Education, Infrastructure, Training & Development, Poverty alleviation, etc. in order to establish whether CSR projects are being executed in the appropriate needs areas.

## **4.3.2 Exploratory Study**

### **4.3.2.1 Population**

The population for the exploratory study were the mining companies selected in the descriptive study.

### **4.3.2.2 Unit of analysis**

The approach adopted in allocating CSR funds was the unit of analysis used.

### **4.3.2.3 Sampling method and size**

The sample for the exploratory study was the same six mining companies quantitatively analysed in descriptive study.

### **4.3.2.4 Data gathering**

Semi-structured interviews which is defined as a method of data collection using a questionnaire in which each person is asked the same set of questions in the same order by an interviewer who records the responses (Saunders & Lewis, 2012), was used to collect primary data for the qualitative analysis of the research. The interviews were held with experts in the field of sustainable development so as to extract meaningful and relevant data in support of the research questions.

The interview guide as presented as Annexure A to this document was designed to establish the internal processes prevalent in setting aside funds for CSR commitments and further the manner in which they are allocated to varying community activities. Through the interviews, CSR projects executed by the respective mining houses were identified for further analysis using the appropriate sampling technique described below.

### **4.3.2.5 Analysis approach**

Interview responses were consolidated for each mining company interviewed and inferences were made on commonalities and differences in their approach to CSR within their respective organisations and accordingly presented in the results sections of this document.

### **4.3.3 Case Study**

#### **4.3.3.1 Population**

The population for the case study was the six mining companies selected in the exploratory study.

#### **4.3.3.2 Unit of analysis**

The individual projects evaluated was the unit of analysis

#### **4.3.3.3 Sampling method and size**

In terms of selecting the projects that was investigated through the case study approach, the non-probability sampling technique was again applied. The sample size was limited to two projects from one selected mining company from the population. In terms of the selection of the mining company for further evaluation, the approach was based on the availability and access to information with regard to projects selected. By applying the purposive technique, the following criteria in selecting the two projects for further analysis was applied:

- Timing of Project execution (Between 1 - 7 years),
- Success of project in terms of execution and sustainability, and
- CSR intervention area (Education, Health, Infrastructure, Poverty alleviation, etc).

#### **4.3.3.4 Data gathering**

The sustainability of CSR projects as alluded to in research question three was established through executing individual case studies in respect of the CSR projects identified through the above process. This was done through understanding the processes adopted and then flow charting each projects processes followed from identification through to execution and implementation of the projects.

#### **4.3.3.5 Analysis approach**

The individual projects identified as per the research question was analysed in terms of their relevance using semi structured interviews. The aim was to establish the sustainability of each project within their respective environments and evaluated against the definition of sustainable social development with a view to establishing both

reasonability of the process coupled with understanding whether it was appropriately discharged and resulted in the sustainability of the projects post execution.

#### 4.4 Research limitations

Given that this research has been focussed on only six mining companies coupled with the fact that individual projects from only one mining company was selected, various limitations become evident:

- Limited sample size,
- Only one mining resource selected for project evaluation within a vast number of other mineral resources, and
- Unlisted junior mining companies have not been included in level 2 and 3 analysis,

One of the more apparent limitations is that the research results might be prone to error considering that the interviews held with CSI specialists might be subjective and not free of all biases. This would have the effect of skewing the results of the exploratory and case study and offer results that might not be representative of current reality.

## Chapter five: Results

### 5.1 Introduction

Articulated in this chapter, is the results of data collected through both quantitative and qualitative techniques as described in the subsequent chapter. The data was collected in terms of addressing the core themes emanating from the literature review as presented in chapter three and in response to the key research questions. The methodology adopted in both collecting and presenting the latter results was to approach the research and interpret the data on three inter-leading dimensions, i.e.

- Macroeconomic – obtain a South African perspective of CSI in comparison to the mining industry and establish trends with a view to understanding how mining has engaged CSI over time,
- Industry specific – analyse a sample of mining companies in order to assess underlying reasons for investing in CSI coupled with mining’s approach in terms of allocating funds towards projects, and
- CSI project specific – from the sample of mining companies, understand the approach to executing CSI projects and fostering sustainability, coupled with the assessment of two projects executed within 1 mining company with a view to surfacing key success factors and weaknesses in their respective execution.

To this end, the data presented in this chapter was from three varying sources, i.e. annual financial and sustainability reports, third party reports and specialist interviews. In terms of the interviews, senior management in community engagement and social development from the latter companies have been interviewed and included herewith in no particular order are the key themes and results from said interviews.

- Royal Bafokeng Holdings
- Anglo American Platinum
- Kumba Iron Ore
- Anglo Coal
- De Beers
- Anglo American

## 5.2 Macroeconomic dimension

### 5.2.1 Introduction

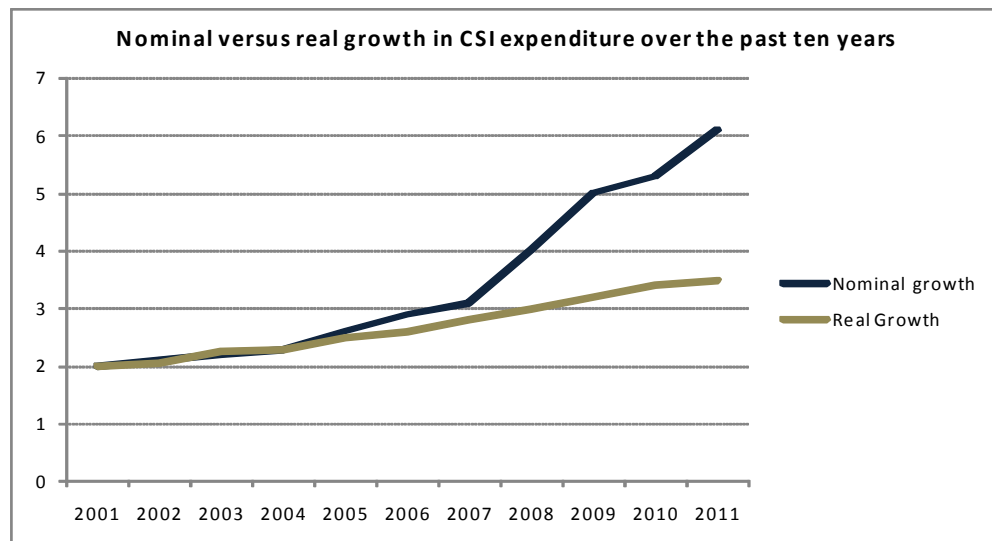
In terms of this dimension, secondary data was collected in terms of all industries contributing towards CSI in South Africa and contrasted with contributions made by the mining industry in order to establish the relevant context and landscape. Data collected in this dimension was in response to research question one which was presented in chapter one as follows:

**What is the correlation between mining profit and CSR investment over the previous five year period?**

In response to the above question and the underlying core theme as defined in chapter three, an understanding of the latter variables was essential in arriving at a meaningful conclusion with regard to the impact of the mining industry on CSI within South Africa.

### 5.2.2 Key features of CSI in South Africa

In terms of understanding the context of CSI in South Africa, illustrated below is the real versus nominal growth rate of CSI over the previous ten year period:



**Figure 4: Nominal versus real growth in CSI expenditure over the past 10**

### **Key features of the CSI spend in 2010 / 2011 (CSI Handbook, 2011):**

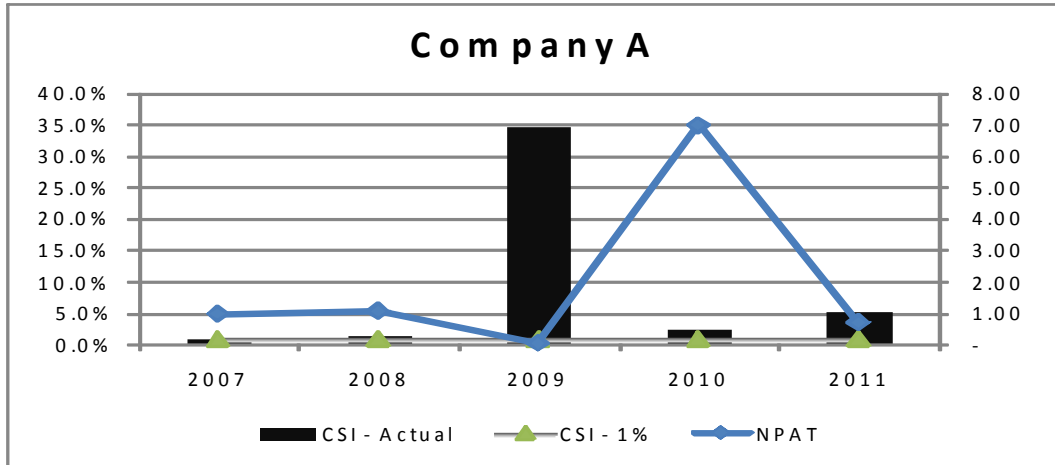
- Companies invested R6.2bn in CSI,
- Approximately 70% of this amount was allocated through CSI budgets, with the balance made up of additional contributions of cash, products or services provided by other parts of the business,
- 82% of companies surveyed allocated additional contributions over and above their CSI expenditure,
- Companies gave beyond BBBEE scorecard requirements, granting 1.4% of net profit after tax (NPAT), and
- Over the past ten years, CSI has outstripped inflation by 77%.

#### **5.2.3 Key features of CSI within the mining industry**

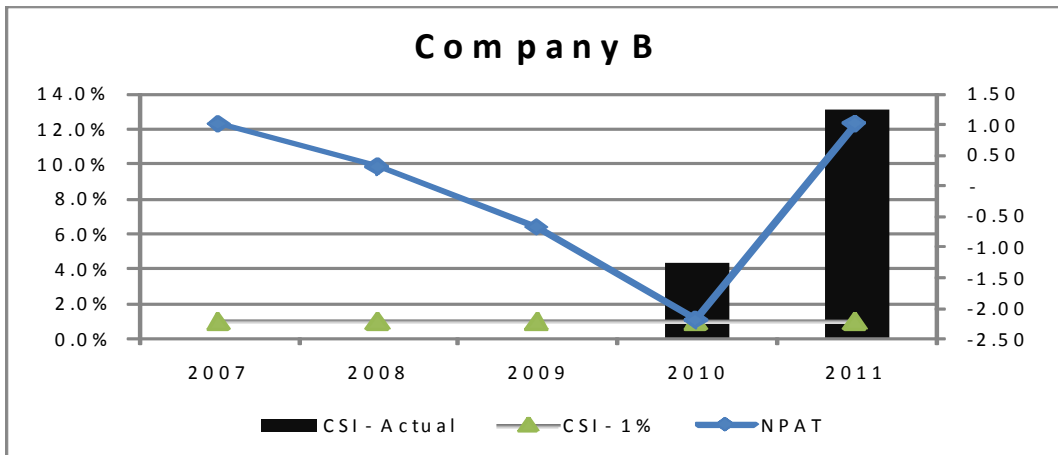
Six mining companies financial information were analysed and the data is presented below. The metrics considered over a five year period was net profit after tax and CSI spend against the regulatory percentage as required by the DMR. The intention was to understand the trend of profits against the trend of CSI spend with a view to understanding as to whether there is any similarities in trends. In addition, an understanding of the extent to which companies have contributed towards CSI against the mandatory requirement is also presented below.

To protect the identities of the respective companies, all net profit after tax numbers have been indexed with the FY2007 financial numbers being base lined to 1. Year on year actual growth has then moved the index of 1 accordingly over the evaluation period. In terms of CSI spend, the percentage represented in the graphs represents the percentage spent against net profit after tax. The view was to compare the actual percentage against the regulatory 1% of net profit.

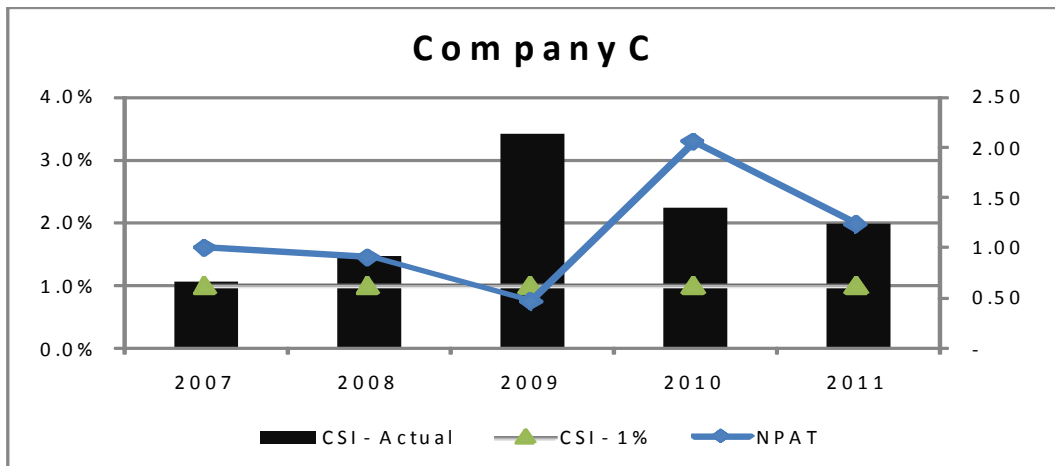




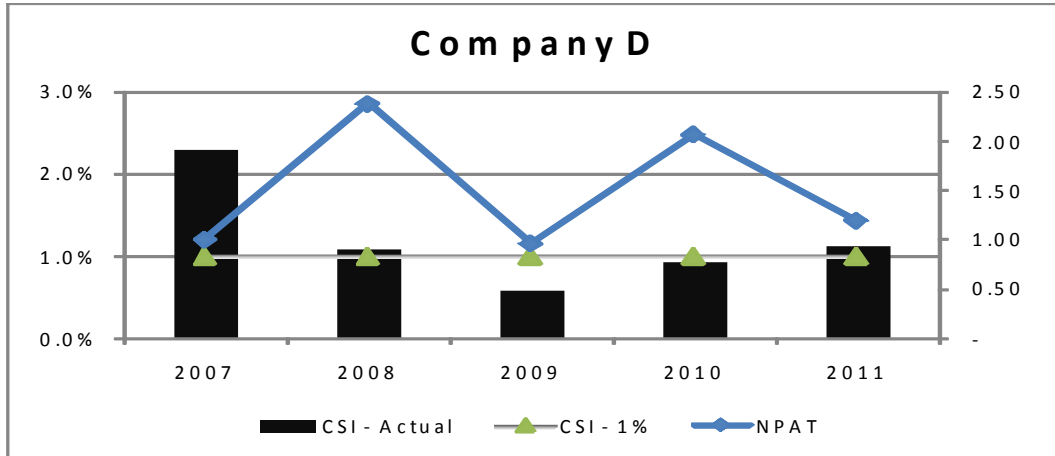
**Figure 5: Company A performance**



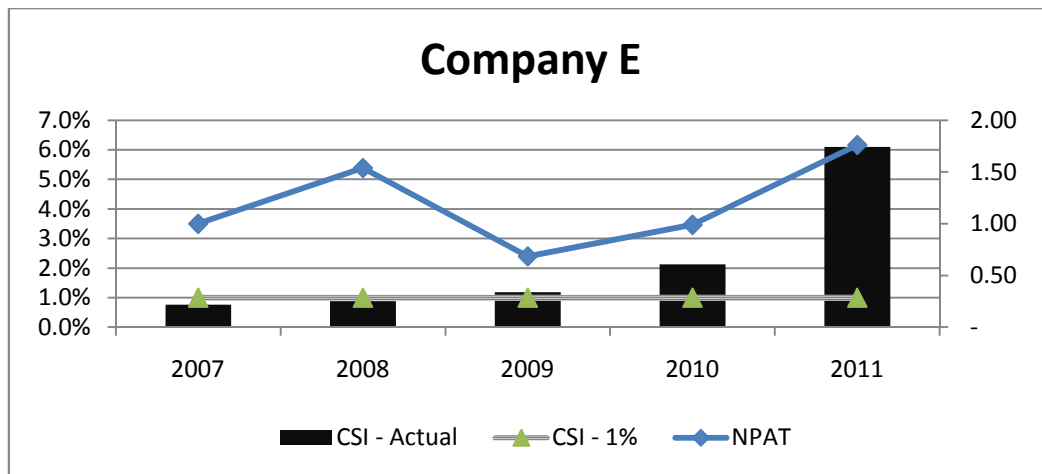
**Figure 6: Company B performance**



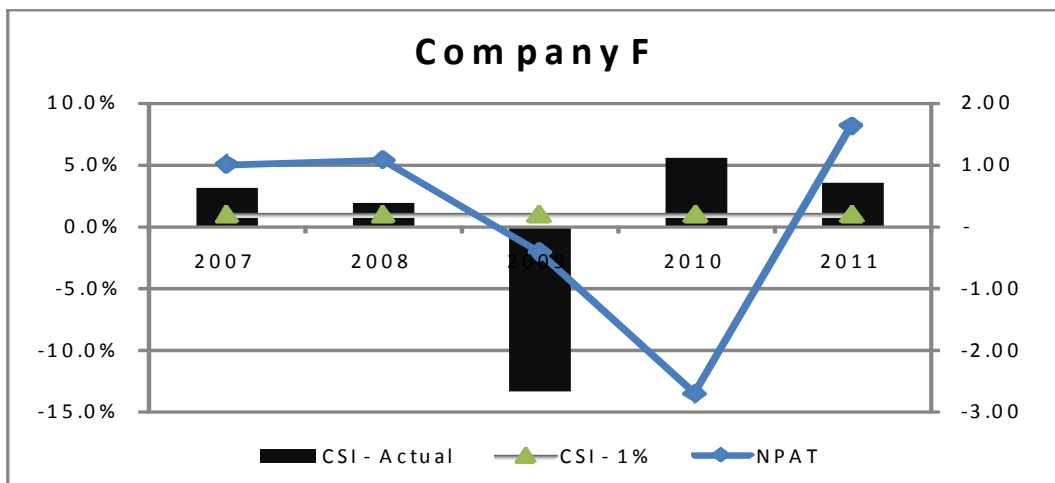
**Figure 7: Company C performance**



**Figure 8: Company D performance**



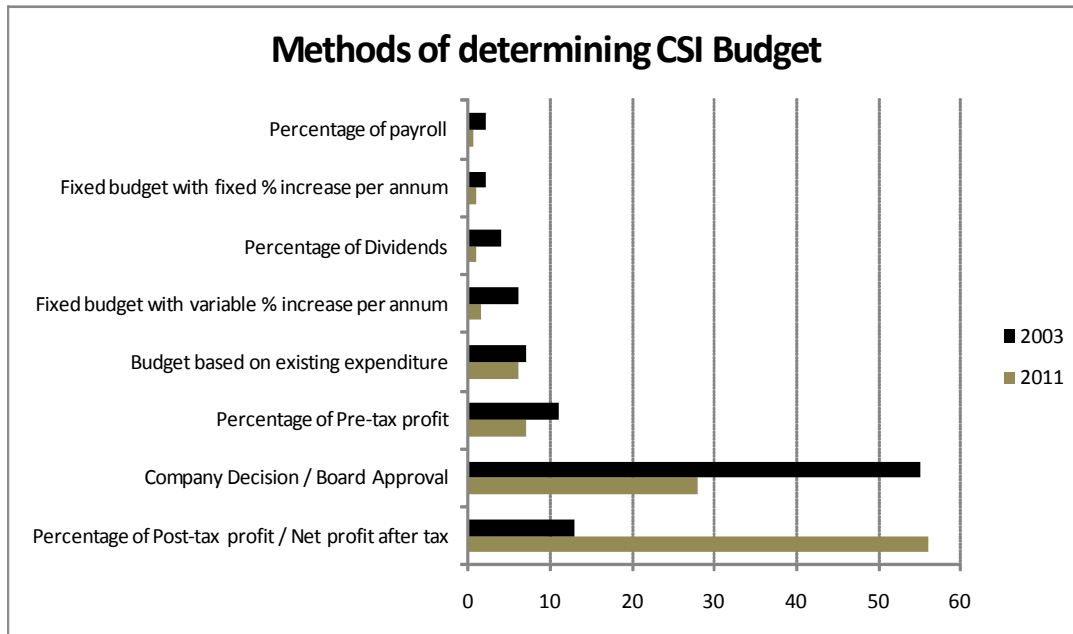
**Figure 9: Company E performance**



**Figure 10: Company F performance**

### 5.2.4 Methods of determining CSI budgets

A survey carried out by Trialogue (2011) revealed the latter key determinants in arriving at CSI budgets by companies and further tracked the movement between these variables over a seven year period.



**Figure 11: Methods of determining CSI**

Key outcomes from the survey can be surmised as follows:

#### Year 2003

- Of the eight variables, board approval was the most dominant in 2003 with the remaining seven not gaining much prevalence in the determination of CSI, and
- Percentage of profit before and after tax accounted for just over 10% respectively and featured second and third in terms of hierarchy to the board approval which accounted for approximately 55%.

#### Year 2011

- Board approval which represented the key determinant reduced from in excess of 55% to just under 30%,
- Pre-tax profit reduced from in excess of 10% to just over 5%, and

- Post-tax profit increased materially to levels in excess of 55% and represented the key determinant in the establishment of CSI budgets.

### **5.2.5 Basis of determining budgets**

Considering that mining companies have been criticised for not contributing adequately towards CSI, the mining charter introduced legislation that imposed on mining companies a standard one per cent contribution of net profit after tax towards CSI spend. Considering figures five to ten set out above, mining companies in general have been contributing in excess of the regulatory 1%.

The above data is consistent with the responses from the interviews held that suggest companies are inclined to set aside funds for CSI purposes in excess of that what is required of them in terms of the SLP. Mining companies in general agreed that the approach followed in setting aside funds on an annual basis was calculated on a percentage of profits. Company A commented as follows with regard to the basis of allocation:

“I believe its 3% of pre-tax earnings”

The general consensus with companies interviewed is that the annual allocations are aligned with their approved social and labour plans. Upon investigating the basis of preparation of the respective SLP's, the general consensus again was that it was aligned with the respective municipal plans. In addition to the allocation of spend in terms of the SLP which equates to the c.1% of net profit after tax, companies tend to allocate additional amounts as a discretionary component toward their CSI commitment.

## **5.3 Industry view**

### **5.3.1 Introduction**

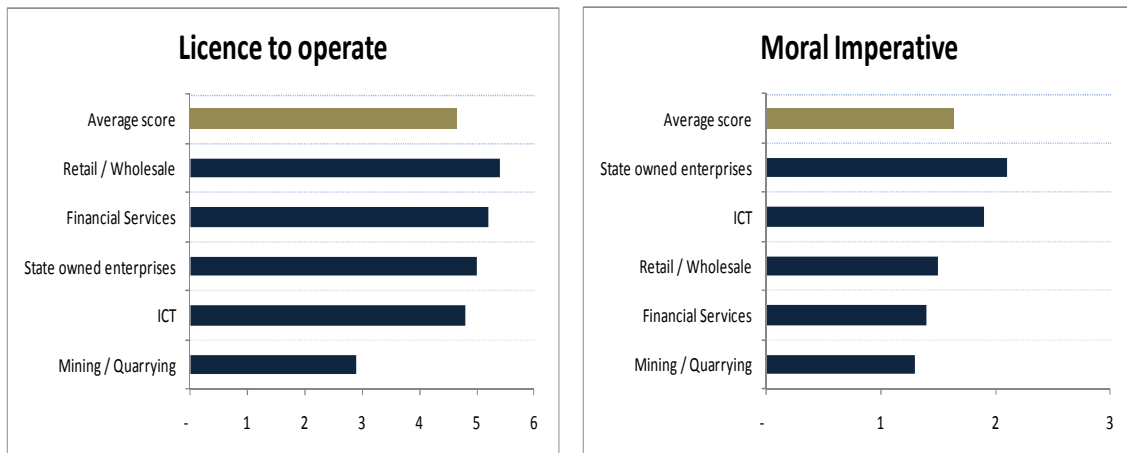
Given that the mining industry represents the focus of this research, an understanding of the manner in which this industry operates and executes CSI relative to other industries was essential in responding to research question two as articulated below. In order to

appropriately respond to this question, the underlying themes as presented in chapter three were jointly considered.

**Is there a structured approach within the mining industry to appropriately discharge its CSR spend to the appropriate needs area?**

**5.3.2 Approach to CSI investments**

In understanding why funds are allocated to the various activities as identified in the graph above, an understanding of what drives companies to invest in CSI is first required. According to Trialogue (2011), companies tend to subscribe to CSI in an attempt to fulfil either a moral obligation or to comply with regulation as illustrated in the latter graphs. From a number of companies surveyed across a broad industry range, illustrated below are the primary reasons for CSI being undertaken:



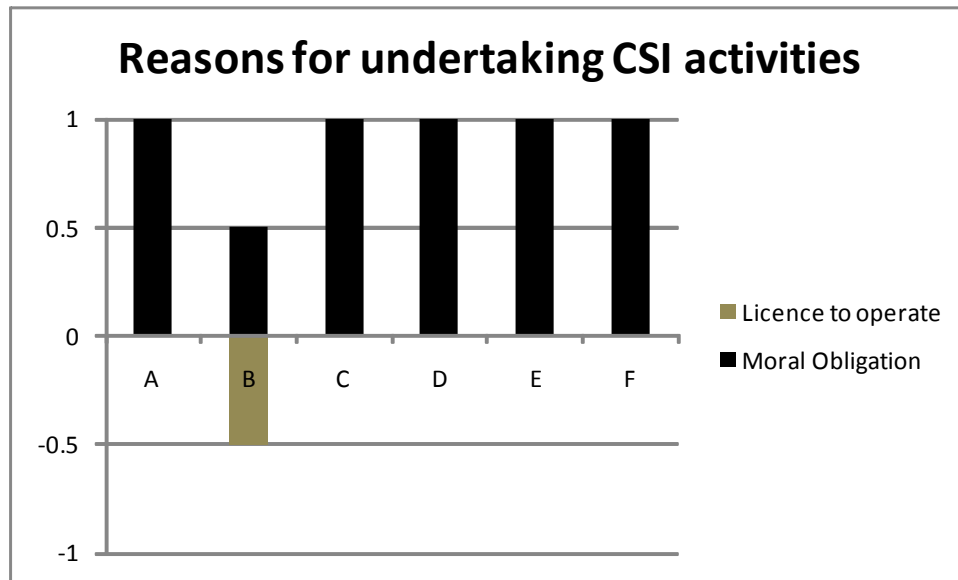
**Figure 12: Basis for investing in CSI**

In terms of licence to operate, companies are required by regulation to invest in CSI in order to conduct business within the country and accordingly are forced to comply or risk losing their permit to operate their respective businesses. In contrast, moral imperative suggests that companies undertake CSI activities in order to fulfil a social obligation essentially because it's the right thing to do.

The graphs presented above are based on percentage responses and suggests that approximately 50% of the companies surveyed carry out CSI activities to fulfil a regulatory requirement whilst approximately 20% execute CSI as a moral imperative.

Based on the sample of mining companies surveyed, said organisations have a greater inclination of fulfilling a regulatory requirement than a moral imperative. These results appear to be aligned to the regulatory imposition on mining companies to comply with the mining charter with regard to releasing a percentage of their profits to CSI activities.

In contradiction to this however, of the sample of mining companies’ interviewed, their view of the reasons for their respective companies undertaking CSI activities was different to the above. When posed with the question as to why their companies undertake CSI activities their responses were as follows:



**Figure 13: Reasons for undertaking CSI activities**

The above graph is presented on the basis that a 1 response is positive towards moral obligation compliance whilst a negative 1 represents a positive response to regulatory compliance. Of the mining companies interviewed, only company B indicated a dual obligation in terms of compliance to the options mentioned above. The remaining companies were aligned in terms of the fundamental reason for undertaking CSI activities, that being moral obligation.

Whilst the mining companies interviewed concede that despite their being an overarching regulatory requirement, their approach to CSI is one of discharging a moral responsibility as opposed to responding to legislation alone. When interviewed around

the aspect of morality, Company F interviewee responded as follows when quoting one of the founders of the company:

“Our responsibility as management is of course to make money for the shareholders but at the same time doing it responsibly and that is the core message from the founder of this business and is the fundamental driver...”

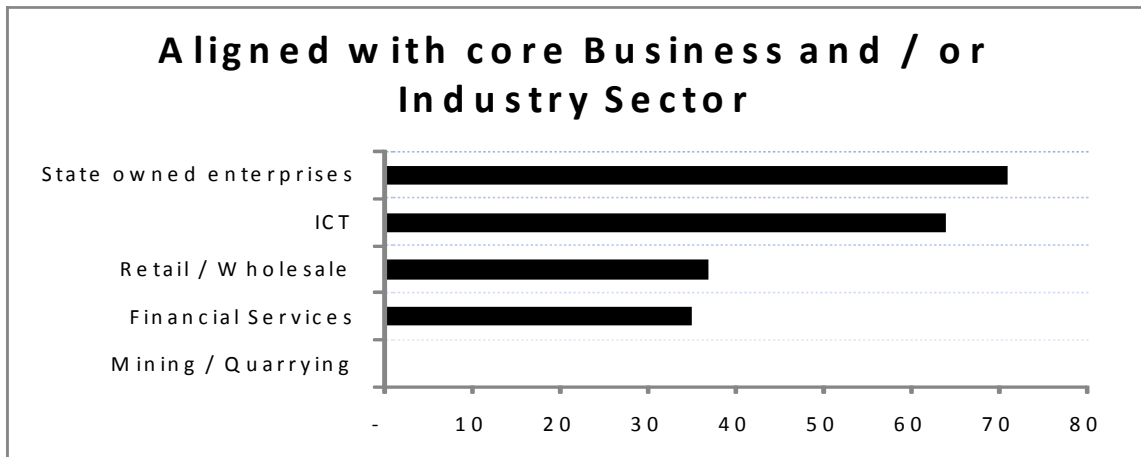
In support of the above, Company A interviewee responded in a similar manner to the above with regard to the reasons for contributing towards CSI. The response was as follows when commenting on the approach of the CEO towards CSI:

“There was a moral obligation. May I say it was very clear we are not just doing it because we want to retain our licence to operate but that it’s an important and a prerogative for social upliftment. I’m saying that because over and above the budget that was approved he would approve additional funds for programs that he felt was significant or important enough”

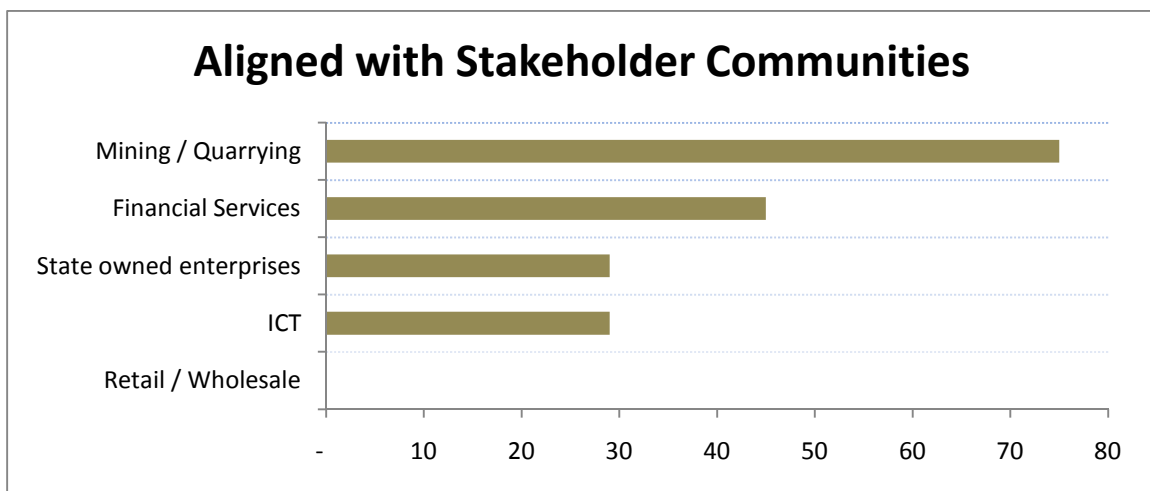
### **5.3.3 Business imperative**

In terms of the stakeholder concept, mining companies tend to focus on stakeholders that have a critical interest in their operations. To test this premise, data was extracted from a survey carried out by Trialogue (2011) to understand how the different sectors aligned their respective CSI activities to the greater business imperative. The options available with the survey were as follows:

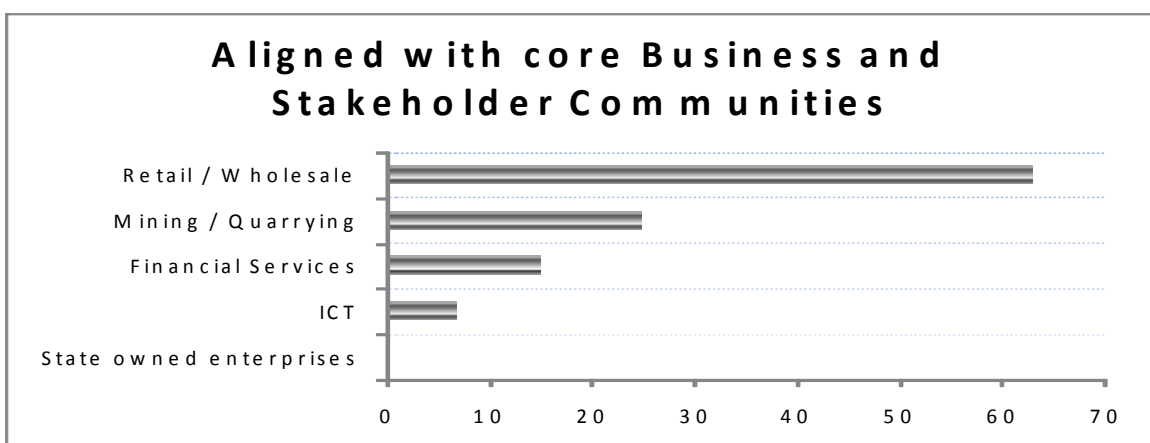
- Aligned with core business and / or industry sector,
- Aligned with stakeholder communities, and
- Aligned with core business and stakeholder communities.



**Figure 14: CSI aligned with core business and / or industry sector**



**Figure 15: CSI aligned with stakeholder communities**



**Figure 16: CSI aligned with core business and stakeholder communities**

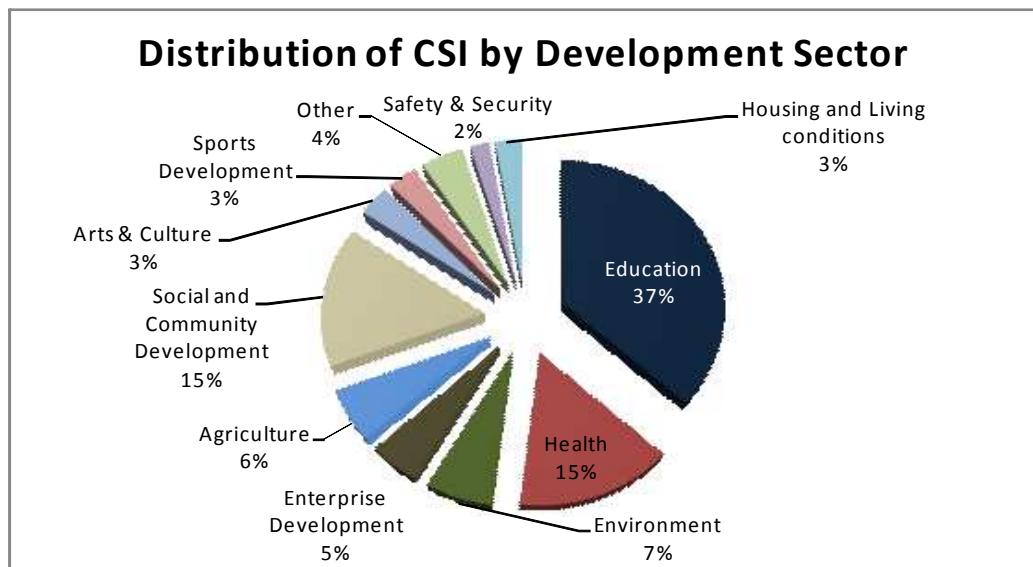


The graphs above present the results from a survey of companies as carried out by Trialogue (2011). The results are expressed in percentage of respondents that identify their approach to one of the three alternatives as described above. The above results indicate that mining companies are more inclined to align their CSI activities with their host communities when compared to any of the other industries.

Accordingly approximately 75% of the mining companies' surveyed revealed alignment with stakeholder communities whilst a smaller percentage revealed alignment with both core business and stakeholder communities. Of noteworthy is that none of the companies surveyed elected alignment with their core business or industry sector and as such had the stakeholder community as a common thread in their varied responses.

**5.3.4 Distribution of CSI by development sector**

The latter graph was crafted out of secondary data collected from a survey carried out by Trialogue (2011) with a view to surfacing the respective needs areas coupled with understanding how funds are distributed to the respective areas. Evidenced from the graph, Education receives the highest proportion of the annual CSI budget at 32% whilst Health and social development share the 2<sup>nd</sup> position in equal proportions of 15%. Noteworthy from the latter is that housing and living conditions receive only 3% of the budget whilst agriculture receives 6%.



**Figure 17: Distribution by development sector**

### **5.3.5 Composition of the social and labour plan**

From the sample of mining companies interviewed, there was unanimous consensus that the CSI agenda in the main was driven by the social and labour plan (SLP) and further supported by discretionary funding per respective mine. On further understanding the process of preparing the SLP, mining companies in general concur that the preparation of the social and labour plan which requires authorisation by the Department of Mineral Resources (DMR) is done in conjunction and collaboration with the respective municipalities using the spatial development plan. Through the spatial development plan, municipalities identify the various critical needs areas in their respective districts and mining companies use this information in collaboration with the municipalities to identify specific projects that would address said needs.

Such projects are then included in mining companies social and labour plans with specific timelines for delivery. This plan then forms the basis of the companies' fixed contribution to social development and upliftment. In terms of legislation this contribution should not represent less than 1% of the respective companies' net profit after tax. In addition to this, companies tend to invest beyond the minimum requirement of 1% and as illustrated in the previous graphs, of the sample of companies' interviewed, their contribution towards their net profit after tax for the 2011 financial year was in excess of the regulatory requirement.

### **5.3.6 Basis of allocation of discretionary funds**

Most of the companies surveyed define discretionary spend as that component of spend beyond the SLP requirement. Whilst the bulk of the budget is aligned to the SLP and is executed in terms of the broader CSI agenda, discretionary spend follows a more informal and less structured approach in identifying projects.

In terms of identifying projects eligible for discretionary funding, all of the companies interviewed tend to follow a very similar approach. Each one of the mining companies has personnel involved in CSI activities deployed at both its corporate office and operational centres. The primary responsibility of the corporate office personnel is strategy setting and support whilst the operational teams are principally responsible for project execution. As part of the operational team's responsibilities is to identify needs

outside the structured SLP programme and put forward recommendations for social spend against the discretionary component of the CSI budget.

Common across all the companies interviewed is that discretionary projects are undertaken on a needs basis given that the necessary governance structures and processes are in place and in collaboration with the larger stakeholder community.

## 5.4 CSI Project view

### 5.4.1 Introduction

**Is the specific CSR intervention as identified and financially committed to by the mining industry sustainable post the financial assistance and project close out?**

Sustainability of CSI projects has been the core of this research and presented below is the results from the tests undertaken to establish the sustainability thereof. In terms of addressing the question on sustainability a multi-pronged approach was followed. The first approach was to understand companies views on whether sustainability was a consideration during the evaluation of each project, whilst the second was to understand and document processes followed and whether such processes led to projects being sustainable.

In addition to the above an understanding of the processes followed in identifying and executing CSI projects was required to establish of the success rate of the sustainability of projects that followed this process.

### 5.4.2 Specialist views

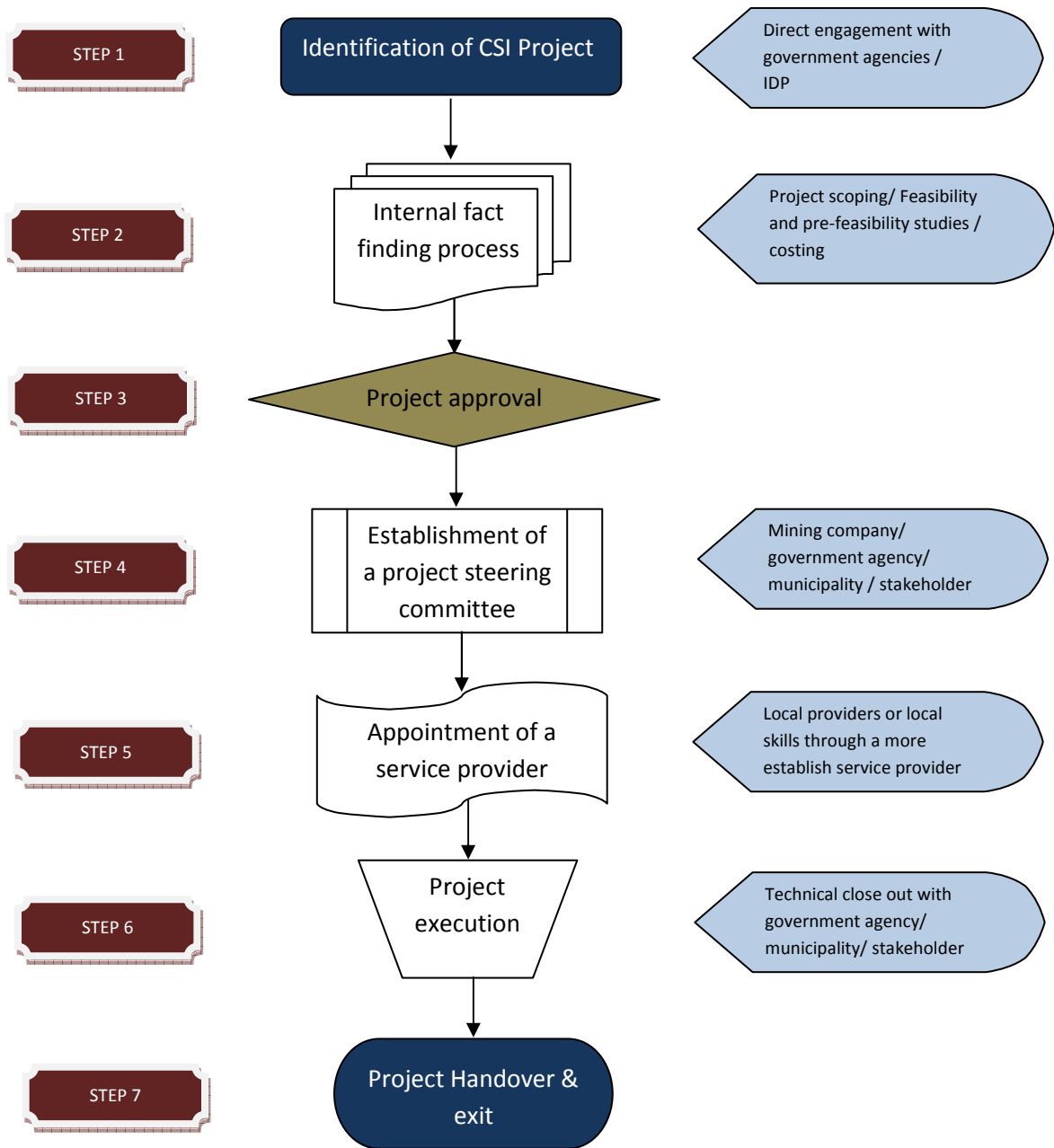
In establishing as to whether the sustainability of projects post its completion was a condition during the evaluation of the project, an understanding of the latter two fundamental questions was required:

- Is sustainability of the Project post completion considered in the evaluation of the project? If so, how is this done?
- What has been the success rate of executing sustainable projects over the last 5 years?

In response to the first question, there was a general consensus that all projects are executed with sustainability of the project post completion as a key requirement. This was done through engagement with the respective government agencies that would be the ultimate administrator of the project and to whom it would eventually be handed over to e.g. Department of Education in the case of a school and the Department of Health in the case of a clinic. Mining companies in general therefore concurred that the majority of projects executed have followed a structured execution process and have been sustainable.

#### **5.4.3 CSI process flow**

In terms of understanding the process that mining companies follow in identifying, evaluating and executing CSI projects, one mining company was approached with a view to examining in detail two CSI projects executed. Prior to the evaluation, their internal procedures and control environment was assessed with a view to understanding the approach followed. Presented below is the standard process flow followed by the mining company in terms of initiating, evaluating and executing project coupled with the results in terms of sustainability of both projects.



**Figure 18: Process flow of CSI project identification, execution and implementation**

#### **5.4.3.1 Key features of the process flow**

The process flow outlined above is further expanded on by the latter activities that allow the mining company to appropriately assess the feasibility and impact of the specific project:

- Identification of the CSI project is prompted in two ways i.e.:
  - Identified through the integrated development plan in consultation with the municipality, and
  - Direct engagement with government agencies through specific needs analysis.
  
- Fact finding includes,
  - Engagement with government agencies, stakeholders and beneficiaries, and
  - Project scoping with pre-feasibility and feasibility analysis.
  
- Project approval is subject to robust financial evaluations and subsequent approval by the company's executive committee,
  
- The establishment of a steering committee is critical to the successful execution of the project and in principal comprises of representatives from the mining company, a ward councillor to represent the community, a technical expert from the government agency who will sign off on the handover of the project and a community liaison officer,
  
- As a standing rule, the appointment of the service provider is a critical step in further addressing the social development agenda. The service provider appointed for the execution of the project has to be from the local community or has to employ a local partner and local people to deliver on the project,
  
- Once completed the project is closed out from a company perspective and accordingly handed over to the respective government agency in whose sector the project was delivered.

#### **5.4.4 Process of collaboration**

In order to establish the approach mining companies follow in identifying projects that are executed as part of the SLP or through discretionary budgets, mining companies were asked as to whether there was a process of collaboration amongst key stakeholders. Key stakeholders for the purpose of this question were defined as the organisation (employees), communities and government.

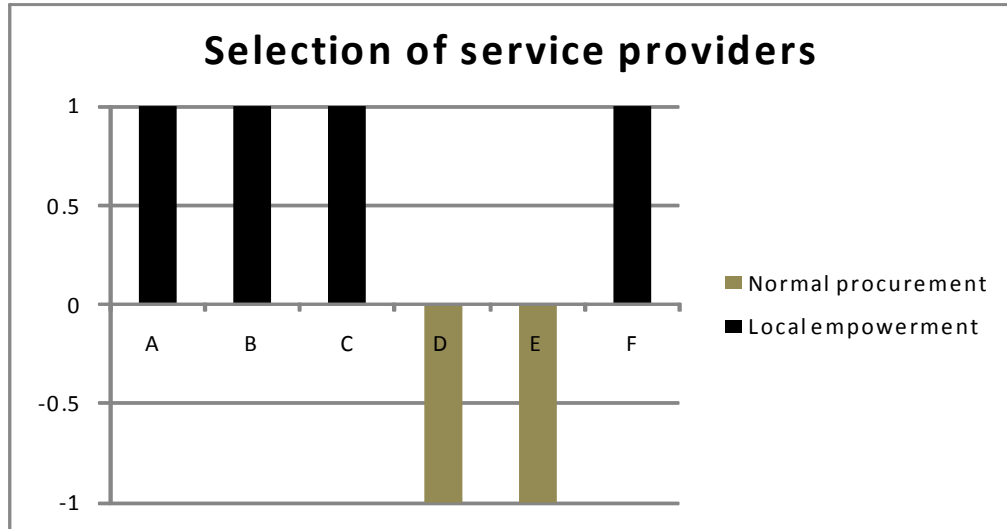
The responses were unanimous in that all the above stakeholders are duly engaged prior to agreeing upon and executing a particular project. Mining companies found the process of collaboration and collectively agreeing to a particular project critical in ensuring maximum benefit to its stakeholders whilst ensuring that the on-going sustainability of the project going forward with the support from the respective government agencies. Company F's response to the issue of collaboration was as follows:

“Everything that we do, we do after extensive engagement...”

#### **5.4.5 Selection of service providers to execute CSI projects**

In understanding as to whether mining company's extend their CSI contribution by engaging service providers from historically disadvantaged backgrounds to execute CSI projects, interviews were posed with the following questions and options:

**How does the organisation select service providers to execute the various projects?**



**Figure 19: Selection of CSI service providers**

The graph above illustrates a positive 1 point when companies subscribe to local empowerment practices as a means of selecting service providers for execution of CSI projects. Accordingly a negative 1 point represents subscription to normal procurement practices as a means of selecting service providers.

Normal Procurement processes suggests that companies tender for service providers using their standard procurement practices used in the normal course of business. Through these practices, service providers are awarded the tenders based on financial economics and the ability to execute the tender. Based on the above results, 33% of mining companies adopt this approach as a means of ensuring efficient and cost effective service delivery.

Local empowerment practices on the other hand require that service providers used to deliver upon CSI projects should be sourced from the local community. Where such skills are lacking from the community, the mining company then award a portion of the contract to a more established company with a caveat of partnering a local company to collectively deliver on the project whilst at the same time transferring skills to the local company. Based on the above results, 66% of the mining companies interview adopted this approach as a means of further empowering local businesses whilst up skilling them in the process.



#### **5.4.6 Case study of CSI projects executed**

From a project execution and sustainability perspective, the latter two projects as executed by one of the mining companies from the sample were evaluated from a cradle to grave perspective.

**Project A:** Educational Project – This project was in respect of the establishment of a primary school, and

**Project B:** Agricultural project – move from subsistence to commercial livestock farming

##### **5.4.6.1 Project A**

###### **5.4.6.1.1 Background**

Project A is a project in the educational sector that pertains to the establishment of a school. The project was initiated when the mining company was approached by the Department of Education with a proposal to establish a school based on a need identified. The specific need related to learners exposed to risk, both logistical and safety that emanated from commuting to the current educational facility some distance away from the home village.

###### **5.4.6.1.2 Key outcomes of the project**

Based on the responses from the interviewee, Project A was an astounding success and some of the reasons can be attributed to:

- Adequate engagement and collaboration with key stakeholders,
- Proper project scoping and feasibility studies using internal project resources,
- Identification and appointment of a suitable service provider,
- Establishment of a functional steering committee that met regularly, and
- Establishment of a functional governing body comprising of management and parents that was responsible for administering the affairs of the school.

Project A was started with c.450 learners and a year later the school has grown to c.750 learners. To ensure that the learners gain maximum exposure, upon establishment of the school the mining company signed on an external service provider for a period of

three years to up-skill educators in terms of their technical, maths and administration skills.

#### **5.4.6.2 Evaluation of Project B**

##### ***5.4.6.2.1 Background***

Project B is a project in the agricultural sector and pertains to a move from subsistence farming to commercial farming with regard to livestock. The project was identified by the mining company through the municipal integrated development plan and was accordingly included into their social and labour plan. The aim of the project was to move subsistence farmers from their current area of operation to an adjacent property whilst at the same time developing the property to meet the needs of commercialising the farming activity.

##### ***5.4.6.2.2 Key outcomes of the project***

The execution of the project was delayed by approximately two years. The primary reason for the delay was due to a failure in appropriately closing out on step two of the project flow as illustrated above. Some of the failures with regard to the internal fact finding process included:

- Lack of understanding of project requirements,
- Failure to carry out a risk analysis that would have highlighted key risks inherent within the project execution,
- Inaccurate project cost estimates resulting in funding being grossly under budget for that what was required,
- Lack of expertise and skills in the agricultural sector, and
- Inadequate consultation with key stakeholders of the project to better understand scope and extent of the commercialisation project.

Whilst Project B was delayed for approximately two years due to the above key failures, subsequently the project was revisited and step two in the project flow duly carried out. This involved in principle identifying and allocating the appropriate skills to the project,

critical engagement with the relevant stakeholders and overall improved management and execution of the project.

#### **5.4.7 Further opportunities with CSI enablement**

On the point of continuous improvement, mining companies were questioned on what opportunities existed going forward to improve on CSI delivery. All the respondents unanimously agreed that greater collaboration amongst business, government and the communities was critical in ensuring that the appropriate needs areas were addressed and projects executed as efficiently and effectively as possible. Some of the comments from interviewees include:

Company A – “The period where companies would create wealth for shareholders only is gone - there should be shared value add. As we create value for our investors and shareholders, I think we should also create social values, create values for the communities through social interventions”.

Company F – “We need corporation amongst ourselves as private business and we also need corporation better with our governments, not just DMR.. “

## **5.5 Conclusion**

Chapter 5 has compared and contrasted data from multiple sources in response to each of the research questions. In summary the key findings as articulated above are as follows:

### **5.5.1 Research question one**

- South African companies have demonstrated significant commitment to CSI by way of above inflation year on year contributions,
- The mining industry has also demonstrated improved commitment to the CSI agenda through contributing above inflation increases coupled with contributing in excess to what is required in terms of regulation, and
- Despite having to comply with regulation, mining companies cite moral obligation as the primary reason for contributing towards CSI in the manner in which they have.

### **5.5.2 Research question two**

- CSI budgets of mining companies are in principal a sub set of projects / initiatives as defined in the respective municipalities integrated development plans;
- Mining companies contribution to CSI has in the main been directed towards the host communities they operate within; and
- The approach mining companies adopt in identifying and executing CSI projects is a collaborative one between the local municipality, government agency and community.

### **5.5.3 Research question three**

- Mining companies have both structured processes and competent resources in place to address CSI in an effective and efficient manner,
- Projects identified and approved follow a similar process of evaluation in terms of feasibility and pre-feasibility activities as do commercial projects within the respective mining company,
- Sustainability of projects post completion is an upfront consideration for mining companies,
- Only projects that have been jointly agreed upon through a collaborative process with all stakeholders progress for execution, and
- Mining companies in the main tend to use the process of executing projects as a further means of addressing the CSI agenda through the use of local service providers.

Considering the key findings as presented above the preceding chapter seeks to analyse the results in the context of the South African landscape, both social and economical. The results will further be considered in the wake of the current labour unrests that has captured the mining industry in order to understand the relationship if any between the labour unrests and CSI within the mining industry.

## Chapter six: Analysis of results

### 6.1 Introduction

In this chapter, an interpretation and analysis of the results will be considered against the backdrop of the literature review presented in chapter two. The data presented below is in the format of responding to the three key questions whilst integrating the core themes underpinning the respective research questions as presented in chapter three.

For each of the research questions an understanding of the results presented in the previous chapter was considered. These underlying results are in support of the broader research themes and essentially led to establishing whether the response to the respective questions was a positive or negative one.

### 6.2 Research question one

**What is the correlation between mining and CSR investment over the previous five year period?**

#### 6.2.1 Introduction

Idemudia (2008) makes reference to three different theoretical perspectives when describing the motives of discharging CSI, namely voluntary, accountability and the enabling environment perspective. Research question one therefore sought to understand the relationship between mining profit and CSI from both an industry and a mining perspective. In responding to this question an understanding of the quantum spent by companies coupled with the year on year growth was required. In addition in order to establish longer term commitment to CSI an understanding of the approach mining companies adopted in setting aside funds for CSI purposes was further explored.

#### 6.2.2 Industry contribution statistics

Evidenced by the results presented in chapter five, annual CSI growth in South Africa has outstripped inflation by c.77% over the last 10 years. Based on the 2010 published results, companies have invested c.R6.2bn into CSI. The above increases in year on

year CSI spend coupled with the significant quantum of absolute spend suggests that there is an unyielding commitment by the South African industry at large to improve on the countries social ills.

It therefore appears CSI has certainly gained in both momentum and relevance in the commercial world and the statistics presented suggest that the CSI agenda is certainly not being ignored from a business perspective. What is however not apparent is that given this unyielding commitment and excess to what can be considered substantial access to CSI cash resources, communities continue to live in poverty and without access to basic services. Intuitively the lack of traction in addressing, amongst others access to basic services within impoverished communities coupled with addressing the social ills of the past can be ascribed to ineffective exploitation of funds made available by the South African economy.

Based on the current CSI growth trajectory as illustrated in figure 4, it stands to reason that a similar momentum towards CSI contributions will continue. This essentially means that CSI in all likelihood will continue to receive above inflation increases and companies will continue to support the cause. The concern remains as to whether these funds can be used in the manner intended and without more structure and foresight as a collective country, the risk remains that CSI will not be as impact-full as required in addressing the social ills of the past whilst contributing to the overall upliftment of impoverished communities. This perspective will be further explored in the preceding chapters.

### **6.2.3 Mining contribution statistics**

Similar to the level of conviction expressed above, the mining industry has demonstrated comparable commitment towards CSI as evidenced by the sample of mining companies interviewed and their results presented in figures 5-10. This data seems to contradict to some extent the perspective of Cronje & Chenga's (2009) who suggest mining companies continue profiteering whilst neglecting the communities associated with it. Whilst mining companies have been largely criticised for not contributing enough in terms of CSI and accordingly were regulated by the DMR in terms of their minimum contributions, evidenced from the respective graphs is that mining companies have in general surrendered a greater portion of their earnings towards CSI as compared to what was required of them in terms of regulation.

Considering that the mining industry has experienced declining profits associated with the financial crisis of FY2009 it is certainly noteworthy that despite CSI contributions following a similar trend, the contribution remained higher than what was required in terms of government regulation. This suggests that despite unfavourable financial performance, mining companies remain steadfast in their commitment to the CSI agenda and continue contributing in a sustainable manner.

Company A has demonstrated consistent increases in CSI spend against the regulatory 1% of prior year profits. During times of negative year on year growth, company A continued to maintain CSI spend in excess of the regulatory 1%. Similarly company B also experienced a downward spiral in earnings from FY2007 to FY2010. Whilst no CSI spend data was available for the years FY2007 to FY2010, from the data available company B contributed significantly more than the regulatory requirement in the last 2 years of the evaluation period.

Company C has maintained its contribution consistently above the regulatory requirement. Whilst the company seemed to have been impacted by the financial crisis to some extent in FY2009, they maintained their contribution to CSI going forward. Company D on the hand appeared to be severely impacted by the financial crisis as they CSI contribution dropped below the 1% regulatory requirement in FY 2009. Despite this setback, the company regained its momentum in terms of its CSI mandate and continued to demonstrate increased year on year spend since FY2009.

Overall, figures 5-10 illustrate that the mining companies selected have experienced volatile economic conditions with times of declining profitability which is representative of the industry at large. Despite this, on average CSI contributions have been maintained at levels in excess of regulatory compliance. This behaviour by mining companies suggests that even in times of declining economic conditions and strained cash reserves; mining communities have continued to maintain their financial contribution to the cause of social upliftment.

Whilst mining companies have been and continue to be criticised for being capitalists who prioritise shareholder wealth creation above anything else, it is comforting to see that irrespective of the economic climate which is continually volatile, they remain steadfast in their commitment to CSI. Whilst government regulation has a hand to play in

mining companies compliance, based on the results as presented in figures 5 - 10 the above criticisms of mining companies appears to be an unsympathetic one. Mining companies should accordingly be given recognition for the efforts that they have been making in the CSI environment. It is assumed however that the criticism made mention to above emanates not so much from the quantum of spend but rather the manner in which CSI contributions are directed and will be further explored in the ensuing sections.

#### **6.2.4 CSI allocation philosophy**

Another element in understanding companies' commitment towards CSI was to understand the basis of allocation of CSI contributions. During the early 2000's, companies contribution towards CSI was in the main based on their respective Board approvals. This essentially suggests that CSI was managed as a discretionary process dependant largely on the Board at the time and their interpretation of the current economy, their cash position and their personnel commitment to the CSI agenda.

This position has substantially changed since the 2000's. Figure 11 presents the current basis of establishing CSI contributions and the consequent shift from the previous philosophy. In terms of this data, the current philosophy of allocating CSI is based on a percentage of net profit. This philosophy appeared to be widely known as of the sample of mining companies interviewed, there was collective consensus that they subscribe to a percentage of their net profit basis of allocating CSI funds.

One of the elements of the enabling environment perspective (Idemudia, 2008), is the integration of voluntary and governmental regulation. Whilst the mining charter regulates companies to set aside a fixed percentage of their net profits towards CSI, mining companies have in the main contributed significantly more to CSI than is expected of them based on this net profit philosophy. This behaviour suggests that not only do mining companies embrace this regulation amicably; they recognise their role as change agents within society.

The material shift in the basis of determining CSI budgets from Board approval to a percentage of profits is symbolic of a shift in mindset. This shift suggests that companies are moving towards seeing communities as key stakeholders of the business. The prevalence of post-tax as opposed to pre-tax profits as the primary determinant suggests



that communities as key stakeholders should share in the associated risks and rewards of the company as well as the consequential net cash-flows.

Given this perspective, mining companies are still criticised for doing the bare minimum and essentially contributing for the sake of complying with regulation and therefore without applying any morality or humanity to the cause. This perception again as described in the preceding section is assumed to be based on the fact that South Africa continues to be plagued with high levels of poverty and the lack of access to basic services. Whilst mining companies have undergone a change in mindset and are further regulated by legislation in terms of their approach to CSI, this change does not appear to have had the required impact on the ground and will be further explored in the sections that ensue.

#### **6.2.5 Conclusion to research question one**

It appears that business in South Africa has recognised their role in addressing the social ills of the past and contributing towards the upliftment of impoverished communities. Considering the change in approach in the manner in which CSI is budgeted by South African business, with majority of the companies subscribing to a percentage of net profit after tax basis, suggests that the CSI agenda is being entrenched within the bigger industry on a common platform. Given that CSI is a country issue and not an industry specific issue, the approach above lends itself perfectly to institutionalising CSI as a way of doing business across all industries.

In terms of the mining industry, the data presented above supports the premise that mining companies are committed to corporate social investment and towards addressing the social ills of the past. This is in principle evidenced by their approach to CSI coupled with indications of remaining steadfast in their commitment despite economic volatility. Whilst government has by and large regulated the relationship between mining companies and communities in the form of expending a percentage of profit towards CSI, the fact that mining companies contribute in excess of what is expected of them is indicative that they recognise their responsibility towards their communities.

In concluding on this research question, the data tends to support a positive relationship between mining profits and CSI contributions. Going forward it appears this trend would

continue with mining companies not only complying with inflationary increases and regulatory requirements but further contributing in excess of what is required. Through this contribution, funds would be continuously made available to redress the social ills faced by the country.

## 6.3 Research question two

**Is there a structured approach within the mining industry to allocate its CSR spend to the appropriate needs area?**

### 6.3.1 Introduction

In keeping with themes two and three as described in chapter three, research question two explored the method and means by which mining companies prepared their respective CSI budgets. In exploring this process, an understanding of whether it is an exclusive or inclusive process was established coupled with thinking around prioritising project execution. Through this analysis an understanding of how beneficiaries are selected was also explored. To this end, with regard to the manner in which CSI has been approached in the past, company D responded as follows:

“Till about three four years ago, the corporate social investment or corporate social responsibility, the whole environment was managed as a nice to have, as the one where we can have the big pictures and the smiley faces and the whatever else, it wasn’t focussed on what’s the impact and what’s the value for the company and for the beneficiaries in the projects that we doing.....”

“We didn’t have any governance procedure, we didn’t have any strategic plan, nothing for this specific environment and I think it’s because of that we’ve lost almost twenty years of what should actually have been extremely valuable impact in our communities...because we had this haphazard, unstructured undisciplined way and there was no professionalism in this whole thing”

The sentiment presented above is largely representative of the comments received from other mining companies. Based on this, it appears that CSI in the past was largely

managed without due internal processes and controls and further was not given the gravity that it required. In the recent past however, companies appear to have evolved in their approach to CSI and presented below is evidence of the same.

### **6.3.2 Basis of compliance**

Hanlon (2011) suggests that multinational corporations tend to use CSI as a means of getting around regulation. Considering the regulations imposed on mining companies by the DMR this theory seems plausible and some of the data collected tends to support this premise that mining companies engage in CSR primarily to secure their licence to operate.

Based on the interviews held and the data presented in figure 13, CSI specialists tend to lean more towards moral obligation as the primary reason for executing CSI. Understandably this view could be biased given the inherent nature of CSI specialist as true philanthropists, it should however be recognised that of all the mining companies interviewed all of them have contributed towards CSI in excess of that what is required by the mining charter. This essentially suggests that whilst mining companies recognise the aspect of regulatory compliance there appears to be a strong moral obligation that is being discharged as well, as evidence by the increased contributions.

With the present mining company perspective of being seen as philanthropic in their efforts as evidenced by their rate of contribution against profit, it could be argued that in the absence of government intervention and regulation, said companies might not have pursued the CSI agenda in the manner that they have currently done. However irrespective of the means, the ends do signal a step in the right direction with mining companies entrenching CSI as critical to their sustainability and that of their host country.

Hamann's (2003) community perspective and Habirono's (2011) community based sustainable development program suggests that community engagement is critical in order to prevent the unnecessary creation of a wide range of potential community problems. Figures 14 to 16 seem to support this theory as the majority of the mining companies tend to align their CSI activities with their respective communities whilst a small percentage consider alignment with both their core business and communities.

Whilst the above could be a strategic approach adopted by companies, given that mining companies are required to build their CSI agenda on the base of the municipal integrated development plan, it appears their alignment with their host communities is coincidental to the CSI approach they are required to follow. Whilst it appears to be an appropriate approach, based on evidence presented in research question one, mining companies do not have any direct control over the greater municipal agenda and essentially comply with government in this regard.

Of noteworthy is the fact that none of the mining companies align their CSI activities with their industry sector. Using the platinum sector as a case in point, most of the platinum mining operations are located in the same geographical region and by applying the results, it suggests that none of these operations leverage off each other's initiatives and successes within the CSI environment.

### **6.3.3 Stakeholder commitment**

Barkemeyer (2009) suggests that “companies tend to focus on those stakeholders that potentially have a crucial stake in their operations” (p. 276) whilst often neglecting those that are not seen as primary stakeholders. To this end, communities surrounding mining companies are therefore seen as primary stakeholders and are the beneficiaries of CSI through the respective municipal integrated development plans. This theory is aligned to the results as presented in Figures 14 to 16 which suggest that mining companies are more inclined to align their activities with their stakeholder communities as opposed to their core business or industry sector.

The above is further supported by the fact that the bulk of the CSI budget emanates from the social and labour plan which is largely driven by the municipal integrated plan that is compiled on a local level. Whilst Barkemeyer's (2009) theory is sound, in interpreting it within the South African mining industry, consideration should be given to the fact that any potential neglect of secondary stakeholders and primary stakeholders for that matter is consequential of the approach followed by government in setting out the integrated developments plans that mining companies subscribe to. In support of the above in terms of establishing CSI budgets in line with the SLP, mining company A responded as follows:

“That is what the charter requires us to do. To deliver development to what they call host communities or impacted communities. That would be communities around the mine but also the traditional labour sending areas, those rural parts of the country.”

What therefore appears to be a criticism of mining companies approach to CSI is in fact a flaw in the compilation of the social and labour plan and the preceding integrated development plan. It is indeed a reality that many of the South African mines are surrounded by communities who live in less than acceptable conditions without having access to basic services. Given that these communities serve as labour sending areas to mines, it would stand to reason that mines would need to uplift the living conditions of its current and potentially future employees. Taking cognisance of the fact that mining companies compile the CSI plans from the broader government agenda as alluded to above, it is of concern that these communities do not appear to feature on any of the municipal integrated development plans, given that they continue to live in less than acceptable conditions.

Whilst the establishment of some of these communities could be through illegal immigrant settlement, it remains a social problem that needs to be addressed through the integrated development plans. Mining companies tend to be accused of not addressing this issue, yet given the confines in which the CSI agenda is discharged; it stands to reason that such issues should be included in the respective municipalities’ plans for joint consideration and action. It is further however unfortunate that the broader CSI agenda from a national perspective is not being addressed collectively and therefore mining companies tend to limit their contributions in principal to the areas in which they operate.

#### **6.3.4 Composition of CSI budgets**

Idemudia (2008) makes reference to the enabling environment perspective which refers to the integration of voluntary CSI and government regulation in order to create an enabling environment that encourages and promotes CSI activities. Accordingly when interviewees were asked how CSI projects are identified, the unanimous response was that it was driven by the municipal integrated development plan and through engagement with government agencies.

Both the municipalities and other government agencies actively engage stakeholders when developing their respective plans. Thus the approach taken essentially supports Idemudia's (2008) literature on ensuring stakeholder participation. When the mining companies were questioned on their approach to identifying projects, company D's response from the senior manager was as follows:

"In my philosophy and what we've implemented at .... now and this is the first year where we actually working against according to the process that we implemented... You can't work in a community if you don't know a community and you can only know a community if you do decent research so we do baseline studies in any of the communities that we enter and these baseline studies actually entails our research companies not employees of ....., the research companies living within the communities..."

Figure 16 presents the areas in which CSI spend is directed. Considering that the bulk of this spend is emanating from the social and labour plan coupled with specific requests by government agencies, it stands to reason that the CSI agenda is largely driven by the government through its respective municipalities. Whilst there is intent and action to engage communities and identify the appropriate needs areas, mining companies tend to find themselves subscribing to the broader CSI agenda in partnership with the municipalities and government agencies.

Of noteworthy is that majority of this spend is directed towards health, education and social development with very little of the funds being set aside for housing and living conditions and agriculture. Cronje and Chenga (2009) cite access to basic infrastructure such as clean water and sanitation as one of the social ills of mining communities yet from the above it appears that this need is not adequately addressed in the integrated development plans as compiled by the municipalities. Accordingly this does not feature prominently within the CSI budgets of mining companies primarily because they do not contribute towards constructing the integrated development plans and are merely required to deliver on it.

Cronje and Chenga (2009) further make reference to the aspect of sustainable development stating that mines in general are temporary activities and mining towns failing to implement survival strategies will not be able to survive post the mines closure.

One of the ways identified in creating sustainable activities is through enterprise development and farming. Such activities foster both sustenance and wealth creation and can be achieved in the relative short term.

Enterprise development and agriculture however only receive 5% and 3% of the annual CSI budget respectively. Considering that both of these activities can contribute towards the creation of sustainable mining towns as expressed by Cronje and Chenga (2009), it appears unfortunate that a larger percentage of spend is not directed towards these areas of sustainable development. It therefore stands to reason that communities criticise mining companies for profiteering whilst the communities themselves remain stagnant and impoverished. This however appears to be a symptom of how CSI is expended and not so much as to how much is being contributed.

### **6.3.5 Conclusion to research question two**

Whilst some of the research data suggests that mining companies essentially comply with regulation as means to secure their licence to operate, based on interviews held mining companies appear to have a strong moral commitment when discharging their CSI responsibility. Once again, given the fact that they contribute in excess of what is required even in harsh economic times is indicative of this.

Although mining companies are criticised for failing to provide for the basic needs of the communities surrounding their operations, evidenced from the above is that the CSI agenda is largely driven by government through the municipalities. Given that government and the municipalities are key stakeholders to mining companies, it is critical that they follow a common approach in terms of delivering against the CSI agenda. To this extent most of the CSI projects are identified through the integrated development plan. It therefore stands to reason, that the provision of basic services irrespective of within which community, mining or otherwise; should be included in the integrated development plan and elevated to priority status.

To conclude on research question two, given that mining companies do not execute CSI in isolation but rather through a collaborative process, it is appropriate to conclude that mining companies do maintain a structured process in identifying CSI projects and setting budgets for the short and medium term. Whilst regulation is in place, there is a

strong moral responsibility prevalent in discharging this onus. It is also worth concluding that in order to improve on this process, an improvement in the manner in which projects are identified and prioritised through the municipal integrated developmental plans is warranted.

## 6.4 Research question three

**Is the specific CSR intervention as identified and financially committed to by the mining industry sustainable post the financial assistance and project close out?**

### 6.4.1 Introduction

In terms of understanding the extent to which CSI projects are sustainable, an understanding of the processes followed in executing such projects was required. Research question 3 therefore sought to understand the internal structures, processes and capabilities prevalent within mining companies to appropriately identify and execute CSI activities in a sustainable manner. Wang (2008) suggests the prevalence of a negative relationship between corporate philanthropy and corporate financial performance.

Wang (2008) further suggests that managers tend to lack the expertise necessary for efficient investment in social development. This is supported by the anti CSR perspective as presented by Gyves and O'Higgins (2008), who suggests that shareholder wealth and CSR are inherently incompatible objectives. This argument hinges on the premise that corporate involvement in CSI does not benefit a firm or its stakeholders and accordingly companies should focus on improving profitability and operational efficiencies whilst CSI should be left to entities such as non-profit organisations (Gyves & O'Higgins, 2008). Accordingly companies should focus on maximising profits and operating efficiencies whilst non-profit organisations should execute CSI projects.



The latter results however disprove the above theory by demonstrating that companies recognise sustainable development as fundamental to their success. Accordingly these companies have resourced themselves appropriately to execute corporate social projects in a sustainable manner. Illustrated below is the processes adopted in identifying and executing sustainable projects.

#### **6.4.2 Internal structures and resources**

In testing the above theory mining companies were evaluated in terms of the capacity allocated towards CSI coupled with the relevant internal processes adopted. Contrary to the above, of the mining companies interviewed, the activities within CSI are managed internally with the necessary resources and processes required to discharge it appropriately. Based on the interviews held, all of the mining companies concur to the use of outsourced service providers for execution of projects whilst all other aspects of CSI are managed internally. In evaluating the extent to which both resources and processes were of a standard equivalent to other business processes, articulated below is the manner in which these are deployed to the CSI function.

##### ***Resources***

Considering Wang's (2008) theory once again where managers tend to lack the expertise to execute CSI projects, mining companies were asked to respond on their internal CSI structures. The key observation was that the CSI function was capacitated both at a corporate office level and an operational level with the appropriate level of skills and expertise within all of the mining companies. Accordingly, mining companies appear to be adequately resourced to deal with issues of a strategic nature as well as on the ground project identification and implementation.

From a corporate office perspective, staff are adequately competent to deal with issues of a strategic nature and compile the organisational social and labour plan in consultation with key stakeholders. Operational staff are more focussed on execution of CSI projects coupled with identification of projects eligible for discretionary funding. This two tiered structure coupled with a distinct split in responsibilities is indicative that mining

companies deploy adequate resources to the CSI function to ensure that it is appropriately capacitated to deliver on its mandate.

The private sector by and large appears to be more robust and critical in their recruitment processes than the public sector. CSI employment candidates accordingly are required to go through the same rigorous recruitment processes prior to being appointed. This essentially suggests that resources deployed within the CSI environment are both competent and capable of delivering against the companies CSI mandate.

### ***Internal Processes***

Figure 17 presents the process flow followed by one mining company in the identification, evaluation and execution of CSI projects. From the engagement with the CSI specialist of the respective company, it was confirmed that this was a standard process that all projects are subjected to. Evidenced from the process flow is that the process begins with stakeholder engagement and accordingly closes out with stakeholder engagement. Hamann (2003) makes reference to the 'community voice' which suggests the involvement of communities in deciding the necessity of a particular project.

The process as illustrated seems to support this theory as the community is engaged early on in identifying the project through to evaluation, execution and finally hand over. Whilst this process flow was crafted based on a single mining company, considering that all of the mining companies unanimously followed a process of collaboration amongst key stakeholders suggest that a similar process of executing CSI projects was entrenched within all of the mining companies. The fact that collaboration was a key element in both execution and handover suggests that the absence thereof would render projects potentially unsustainable and difficult to execute whilst further not realising its full potential benefit.

This approach is further supported by Culler's (2010) theory which suggests that business is not divorced from the rest of society and companies should be contributing towards sustainable development with all of its stakeholders. The general consensus from mining companies was that whether a project was identified through the municipal integrated development plan, government agencies or operational observations; a

process of engagement with all key stakeholders is initiated which includes the affected communities. Through this process, the need is validated and the underlying value to the beneficiary is established in an attempt of ensuring that the respective project is one that is indeed required and further will contribute to improving the lives of the related beneficiaries.

With regard to governance, CSI is considered a part of normal business practices and is accordingly subject to the same governance protocols as the rest of the organisation. Considering that mining companies are accountable to shareholders and subject to stringent internal and external audits, internal controls and processes in respect of CSI are required to be of a suitable standard. Wang's (2008) theory therefore appears to be invalidated and mining companies have adequate processes in place to discharge CSI effectively and efficiently.

#### **6.4.3 Evaluation of projects**

In establishing the success rate of the internal processes, both Projects A and B as described in the previous chapter were evaluated in terms of being executed in accordance with the detailed process as illustrated in Figure 17. In addition an understanding of whether the execution of the project in line with the standard process inevitably leads to sustainability of the project was considered.

Adewale and Sarah (2012) recognise that greater efficiencies in CSI can be achieved through the use of corporate skills and aligning with corporate strategy. Both projects A and B were thus evaluated in accordance with this theory to understand as to whether the application of corporate skills as described above together with corporate strategy in terms of the internal processes followed as per Figure 17 resulted in the delivery of efficient, effective and sustainable projects.

#### ***Project A***

Project A was initiated through a government agency and not identified through the integrated development plan. Given that the project was within the Department of Education and identified as a crucial necessity, it is interesting to note that it did not

feature in the municipal plans and as a result did not form part of the social and labour plan of the company. Irrespectively, as part of the structured process of engagement the municipality was consulted together with the community in validating the need. One of the comments made by the CSI specialist was that irrespective of the need identified either through the integrated development plan or any other institution for that matter, the receiving community is always consulted prior to approving the project in order to validate the need and establish its prioritisation.

Aligned to what was reported on above, all of the project scoping, feasibility and pre-feasibility of this project was done with internal resource capacity. Project managers that generally manage commercial projects were used evaluate this project and their findings used as a basis of escalating the project for approval. Internal project evaluation protocol applied to commercial decision making are similarly applied to CSI projects in establishing the merit of the project. This indicates that the same calibre of resources allocated to normal business is made available to CSI projects and thus are subjected to extensive governance, both quantitative and qualitative.

Critical to the process is the establishment of a steering committee. For Project A, the steering committee was made up of representatives from the Department of Education, community, municipality and the mine. In support of this approach, when Company A was questioned on the success and sustainability of projects, they found subscribing to similar involvement as described above critical. The interviewee offered the following analogy:

“One of the CEO’s that I worked for previously, his kids went to public school and he was on the board and his mission was nothing but to empower the school in such a way that he would insist on proper governance, he would insist that lets find other accountants and whatever so that we have a very strong governing body and in that way those schools are very successful...”

In terms of executing projects, mining companies tend to use this process as a means of empowering local communities. Skinner (2008) refers to the social change approach which is a process of addressing system wide imbalances in an attempt to address structural causes of social ills as opposed to isolated causes. This theory seems to resonate with the approach mining companies follow in executing CSI projects.

Project A was executed in accordance to Skinner's (2008) theoretical framework and further analysed as follows:

- the establishment of the school was essentially the 'isolate cause' as per Skinner's (2008) theory as it focussed on fulfilling a particular need identified, whilst
- the structural cause supported by the social ill would then be the lack of employment, skills, etc within the community in which the school is being constructed.

In order to contribute towards the structural cause whilst addressing the isolate cause of building the school, most mining companies have amended their procurement practices as a means of doing so. To this extent, only service providers from the local communities will be sourced in executing the project and where such skills are not available within the community outside providers will only be used in conjunction with local companies. In this way mining companies are contributing towards empowering local companies and local communities through the transference of skills from more established service providers.

In terms of Project A, the required skills to construct the school were not available within the community and the mining company had to engage with a more established service provider from outside the community. Local empowerment was however upheld given the partnership caveat as alluded to chapter in five. Through the project, local skills were developed and communities were provided with a source of income, be it only of a temporary nature.

Project A was successfully completed towards 2010 and duly handed over to the Department of Education. First learner's were enrolled as of 2011 and the school has grown in learner intake by approximately 60% since its first intake. Through the established governing body, the school maintains its running costs and contributes towards additional development without any further assistance from the community. Project A is an example of a project approached with the right philosophy implemented and coordinated in a structured manner and therefore is able to sustain itself independently going forward.

### **Project B**

Although Project B subscribed to the same structured process as Project A described above, it failed to implement the relevant steps of the process in the same manner which invariably led to challenges in the execution of the project. This project was identified through the integrated development plan and accordingly included into the respective mines social and labour plans.

In terms of step one as illustrated in Figure 17, the process of engagement was sound and the respective stakeholders were appropriately engaged in terms of the requirements of this project. The challenges associated with this project related to step two of the process with specific reference to the aspect of project scoping. The mining company failed to appropriately scope the project which then had the latter resultant implications:

- Lack of skills in assessing pre-feasibility and feasibility,
- Inadequate budget,
- Failure to understand associated risks in project execution,
- Failure to recognise and engage critical stakeholders in the agricultural sector, and
- Failure to recognise the need and initiate an environmental impact assessment.

The above implications resulted in the project being delayed by two years. Project B is a perfect example in support of Wang's (2008) theory of managers lacking the necessary expertise in executing CSI projects. Considering that this project was in respect of moving farmers from subsistence farming to commercial farming, then by implication the two year delay in executing this project has destroyed potential wealth in the hands of the community.

To this extent if projects are executed in a manner similar to Project B, then Wang's (2008) theory should be institutionalised and mining companies should focus on profit maximisation whilst CSI should be left to government agencies and non-profit organisations. In this way, the appropriate level of skills and attention to detail will be committed to the project and instead of destroying wealth as has been the case in Project B, a greater focus on creating wealth for the communities within the shortest period of time would be the priority.

Notwithstanding the above, the mining company did retrospectively recognise the failure as articulated above. In order to remedy the situation, step two of the process was redone and each of the failures as presented above duly addressed. The steps in the process that followed were duly addressed and the project was executed in the originally intended manner.

The farmers have since been relocated and implemented their commercial business. Through the project, they have also been affiliated with regulatory bodies and mentor farmers to assist in ensuring the sustainability of their farming venture. This venture has further resulted in local job creation through the employment of local community members as farm labourers.

Whilst the project was not executed in the manner intended and does represent an example of why mining companies should not be executing CSI projects, the end result was however positive and the mining company did take away fundamental lessons from the project. When questioned as to whether this was an exception or the norm in practice, the CSI specialist mentioned that all other projects have been executed with great success similar to Project A; and this was a short term failure that was then appropriately corrected.

#### **6.4.4 Conclusion to research question three**

The project flow diagram presented provides evidence that mining companies engage in CSI activities in a structured manner. Irrespective of whether the project forms part of their structured social and development plan or discretionary spend, the method in which it is discharged remains fundamentally the same.

The key element throughout the process flow described above is stakeholder engagement. Through this stakeholder engagement process, mining companies are able to ensure that the projects identified and executed are aligned with the specific community requirements. In addition, mining companies engage the respective government agency's from the offset in order to ensure that there is consensus in project execution and to ensure effective handover at project close.

Whilst Project B was not executed with the same degree of success as Project A, both projects upon completion were sustainable and represented a value upliftment within the mining communities. Evidenced from the resources deployed, structure and processes followed coupled with the degree of collaboration with all the stakeholders, mining companies have demonstrated that they can and do execute sustainable CSI projects.

Given that service providers to execute CSI projects are in general sourced from the local community further emphasises mining companies' commitment towards up skilling local communities' and creating sustainable sources of income within the communities. Overall mining companies have demonstrated that CSI is a well thought out and executed function within their respective organisations and continues to be given the attention it requires.



## Chapter seven: Conclusion

### 7.1 Introduction

This chapter seeks to provide a reflective summary, based on the findings as presented in the preceding chapter. Articulated below are high level overviews of the background and related objectives coupled with the main findings from the research. Included in this chapter are also the limitations of the current research as well as opportunities for further research in this area.

### 7.2 Research background and objectives

The mining industry represents one of the bigger employers in South Africa and contributes substantially to the economy of the country. Taking cognisance of the high and further increasing rate of unemployment and growing impoverished communities, mining companies therefore act as an ambassador of big business and accordingly a lever to improve the living conditions of impoverished communities whilst contributing to job creation. Mining companies have however been charged with exploiting the nation's resources, neglecting its host communities and not devoting sufficient time and resources to corporate social responsibility.

Considering many of the big mining companies have their head offices sitting outside of the country, there is the perception that mining companies are purely interested in shareholder value maximisation through exploiting local resources whilst exiting majority of the profits out of the country. The call for nationalisation by factions of the government is seen as a means of addressing the above perceived behaviours of mining companies. This is based on the assumption that the host country will be able to return substantially greater value to the people of the country than what the mining industry currently does.

The recent labour riots and associated massacres at the Marikana mine in the North West province and its consequential ripple effect on the South African economy is a striking indicator of this. One of the consequences of these labour unrests is the associated downgrading of the countries credit rating by the foreign banks. This highlights the impact and influence of the mining industry on the country's economy coupled with its communities.

One of the objectives of this research was to establish as to whether mining companies have in actuality been neglecting their social responsibility towards their host country. A further objective was to understand the manner in which their social obligation is discharged through understanding the different approaches followed in selecting and executing CSI projects. This research also sought to better understand the sustainability of the projects undertaken in an attempt to establish as to whether the approach followed is one of empowering communities or in contradiction creating dependencies that will collapse with the eventual closure of mines.

### 7.3 Main findings

The findings as presented in the preceding chapter offer some insights into the approach mining companies adopt in executing CSI within South Africa. In arriving at these findings, multiple approaches to collecting and analysing data were followed. This approach was used as a means of comparing quantitative data to qualitative data in an attempt of making meaningful inferences in addressing the research objectives.

To this extent, secondary economic data in terms of company profits and related CSI spend was extracted with a view to understanding the extent to which the perception of neglect as described above was valid. Six specialist interviews with senior members of different mining companies were held in order to understand the thought processes inherent within the organisation coupled with an understanding of the internal structures and resources allocated to the CSI function. This was done to understand the extent to which mining companies have the capabilities to execute CSI activities that are both meaningful and lead to the upliftment of communities and foster job creation.

Lastly, two CSI projects that were executed by one of the mining companies in the sample were analysed. This was done in order to validate the existence of processes and competent resources as well as to establish the element of sustainability of the projects post completion and close out by the mining company. Through the above, the research was therefore able to articulate that the approach followed by mining companies was based on the fundamental principle of collaboration.

Through this collaborative process with the respective government agencies and communities, mining companies have demonstrated that the projects executed are as

per the government agenda and supported by the respective communities. Mining companies do not tend to approve projects outside the collective approval of government and key stakeholders and do so through a structured capital approval and execution process. It further highlighted that CSI projects were largely triggered through the social and labour plan which was compiled on the back of a government document, i.e. the municipal integrated development plan.

In terms of competencies, the research revealed that mining companies ensure that appropriate organisational processes, internal controls and competent resources are allocated to CSI activities in order to manage it in a similar fashion to commercial activities. With regard to the quantum of spend, the economic data analysed suggests that mining companies have consistently expended funds beyond the regulatory requirement and in excess of inflation. Despite periods of declining profits, the data indicates that mining companies in the main have maintained their commitment and contribution towards CSI.

Given that mining companies are in reality temporary activities, the issue of sustainability of CSI projects post execution was critical to this research. Accordingly the findings revealed that mining companies do not enter into projects without government engagement and sign-off on the project. This is seen as a critical step in ensuring a common understanding with all stakeholders and to further ensure the effective hand over of the completed project to the identified government agency or community upon completion.

#### **7.4 Limitations of the research**

The inherent limitation of this research is the fact that whilst the companies selected were representative of the industry at large, the sample size was relatively small. This limitation could thus have the effect of influencing the results and accordingly some of the conclusions reached.

In addition, in testing the sustainability of projects only two projects from a single mining company were selected. Whilst most of the companies interviewed concurred with the approach followed by this mining company, given that the number of projects evaluated

was limited, the risk exists of the conclusions reached being not representative of the whole industry.

A further limitation of this research is that only listed companies were considered in the sample. South Africa has a large number of new and unlisted mining companies which were not represented in this research. Considering that these companies essentially represent the future of the industry and business in South Africa, their impact on corporate social responsibility has far reaching implications. By further considering that these in the main represent start-up companies, their commitment to CSI might be different to that of the established mining companies and accordingly could influence these results.

## 7.5 Areas of future research

This research has demonstrated a highly cohesive relationship between mining companies and government. It has further demonstrated that whilst mining companies set aside funds and execute CSI budgets, government essentially drives the CSI agenda through the respective municipalities and government agencies. In order to understand what drives this broader agenda, areas of future research include:

- Interrogate and understand the thinking behind the compilation of governmental and municipal integrated development plans that feed into the private sector and form the broader CSI agenda, and
- Research the aspect of Enterprise development within South Africa which moves away from re-dressing social ills but rather focuses on wealth creation and sustainability.

This research has further signalled that whilst start-up mining companies are on the rise in South Africa, limited public information was available at the time of this research to understand how these companies interpret and execute their social obligation. Given that in the main, these empowerment companies are established through previously disadvantaged communities, an area of future research could be to understand how these companies return wealth to the communities that facilitated their establishment.

## 7.6 Conclusion

In conclusion, based on the findings as presented above, big business inclusive of mining companies are committed towards furthering South Africa's CSI agenda. This is largely evidenced by the increased contributions beyond regulatory compliance coupled with the extent of resources deployed to the process of managing CSI projects. Mining companies have indeed largely benefited from the countries resource but any suggestion that this is one sided appears largely unfounded.

There is the argument that mining companies could be doing more than what they are currently. Whilst there is merit in this argument, the potential to unlock greater value would appear to be with government in the manner in which the municipal integrated development plans are constructed and prioritised. The research has revealed that in the main mining companies only execute projects identified through municipalities and other government agencies. Whilst CSI officials on the respective mines identify potential projects on the ground for execution, the SLP is largely driven by the integrated development plan.

In order to be more effective in addressing CSI, the general consensus amongst interviewees was that there needs to be collaboration amongst mining companies collectively and the government. This will then facilitate addressing the national agenda and deploying resources to areas needing it most. It would further ensure that companies are both more effective and efficient by leveraging off each other in terms of executing CSI projects.

A further dynamic that influences the perception of mining companies with regard to social development is that of globalisation. In the wake of globalisation, business is increasingly seen as a critical element in the process of social transformation. Ensuring sustainability of such transformation is crucial in terms of safeguarding the sovereignty of the nation. The significance of the sustainability of corporate social responsibility during the mines operating period is thus critical in ensuring the on-going existence of the community post its closure.

CSI is not a new phenomenon, and for South Africa to break free from the shackles of poverty and social demise, it would need to leverage more on this function than ever before. For CSI to deliver on the above, government has to level the playing field and partner big business collectively in a transparent and strategic manner. South Africa is a country bursting with potential and by addressing the social ills of the country; South Africa has the opportunity of delivering against its potential.

Based on the Marikana issues described in earlier chapters, it is however apparent that the manner in which CSI is currently being executed, irrespective of how effective it is, is clearly not adequate to the South African community. Whilst the overall observation is that companies in South Africa recognise CSI as critical to their own sustainability and are appropriately resourced to execute projects with sustainability as a key consideration, it apparently is not reaching its target beneficiaries. CSI is largely a collaborative process and in order to improve on exploiting the cash resources made available, government would need to engage big business collectively based on a strategic national agenda as opposed to various local agendas executed by municipalities currently. The Marikana incident has surfaced much of the underlying turmoil within impoverished communities and for this to be expeditiously addressed, an improved identification and execution plan is critical with government taking the principle lead.

## References

- Adewale, A. & Sarah, R. N. (2012). The impact of corporate social responsibility on the profitability of listed retailers: Indication from the Johannesburg Security Exchange (JSE). *African Journal of Business Management*, 1694-1701.
- African Union. (2009). *Africa Mining Vision: Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development*.
- ANC Policy Institute. (2012). *Maximising the developmental impact of the people's mineral assets: State intervention in the minerals sector*.
- ANCYL discussion document. (2010). *Towards the transfer of mineral wealth to the ownership of the people as a whole: A perspective on nationalisation of Mines*.
- Arya, B. & Zhang, G. (2009). Institutional Reforms and Investor Reactions to CSR Announcements: Evidence from an Emerging Economy. *Journal of Management Studies*, 1089-1112.
- Barkemeyer, R. (2009). Beyond compliance - below expectations? CSR in the context of international development. *Business Ethics: A European Review*, 273-289.
- Bosch, A. Rossouw, J., Claassens, T. & du Plessis, B. (2010). A second look at measuring inequality in South Africa: A modified Gini coefficient. *School of Developmental studies*, 1-14.
- Brundtland, G. H. (1987). *World Commission on Environment and Development Address*. Japan.
- Burke, L., & Logsdon, J. M. (1996). How corporate social responsibility pays off. *Long range planning*, 495-502.
- Chamber of Mines. (2010). *Facts & figures 2010*.
- Chapple, I. & Barnett, E. (2012, September 14). *What's behind South Africa's mine violence?* Retrieved from CNN: <http://www.cnn.com/2012/08/17/world/africa/marikana-south-africa-mine-shootings/index.html>

- Chichilnisky, G. (1997). What is sustainable development? *Land Economics*, 467-491.
- Consultancy Africa Intelligence. (2012). *Mining nationalism in Africa: Justified redistribution of wealth or an obstacle to growth?*
- Cronje, F. & Chenga, C. S. (2009). Sustainable social development in the South African mining sector. *Development Southern Africa*, 26 (3), 413-327.
- Culler, C. (2010). Good Works: Assessing the relationship between organisational culture, corporate social responsibility programs, and weberian theory. *International Journal of Arts and Sciences*, 357-374.
- Dansereau, S. (2010). Comparing dueling approaches to the transformation of South African mining: Corporate social responsibility or labour restructuring. *Labour. Capital and Society*, 43:1.
- Department: Mineral Resources - Republic of South Africa. (2010). *Amendment of the the Broad-Based socio-economic empowerment charter for the South African Mining and Minerals industry.*
- Gyves, S. & O'Higgins, E. (2008). Corporate social responsibility: An avenue for sustainable benefit for society and the firm? *Society and Business Review*, 207-223.
- Habirono, H. (2011). Community based sustainable development: A corporate social responsibility. *Mining Environmental Management*, 13-17.
- Halme, M. & Laurila, J. (2009). Philanthropy, integration or innovation? Exploring the financial and societal outcomes of different types of corporate responsibility. *Journal of Business Ethics*, 325-339.
- Hamann, R. (2004). Corporate social responsibility, partnerships, and institutional change: The case of mining companies in South Africa. *Natural Resources Forum*, 278-290.
- Hamann, R. (2003). Mining companies' role in sustainable development: the "why" and "how" of corporate social responsibility from a business perspective. *Development Southern Africa*, 237-254.



- Hanlon, R. J. (2011). Engineering corporate social responsibility: Elite stakeholders, states and the resilience of neoliberalism. *Contemporary Politics*, 71-87.
- Hilson, G. (2007). Championing the rhetoric? 'Corporate Social Responsibility' in Ghana's Mining Sector. *University of Reading, UK*, 43-56.
- Hutchins, M. J., Walck, C. L., Sterk, D. P. & Campbell, G. A. (2007). Corporate social responsibility - A unifying discourse for the mining industry. *Michigan Technological University, USA*, 17 - 30.
- Idemudia, U. (2008). Conceptualising the CSR and development debate. *Journal of Corporate Citizenship*, 91-110.
- Juggernath, S. R. (2011). Corporate responsibility for socio-economic transformation: A focus on broad-based black economic empowerment and its implementation in South Africa. *African Journal of Business Management*, 8224-8234.
- Kolk, A. & Lenfant, F. (2010). MNC reporting on CSR and conflict in Central Africa. *Journal of Business Ethics*, 241-255.
- Leedy, P. D. (2001). *Practical research planning and design*. Merrill Prentice Hall.
- Lin, L. (2010). Corporate social responsibility in China: Window dressing or structural change? *Berkeley Journal of International Law*, 64-100.
- Margolis, J. D., Elfenbein, H. A. & Walsh, J. P. (2007). Does it pay to be good? A meta-analysis and redirection of research on the relationship between corporate social and financial performance. *Harvard University*, 1-79.
- Middlemiss, N. (2002). Authentic not cosmetic: CSR as brand enhancement. *Journal of Brand Management*, 353-361.
- Muhumuza, R. (2012, October 04). *Huffington Post*. Retrieved from Striking SAfrican miners find strength in numbers: <http://www.huffingtonpost.com/huff-wires/20121004/af-south-africa-strikes/>
- Ndhlovu, P. T. (2011). Corporate social responsibility and corporate social investment: The South African case. *Journal of African Business*, 71-92.

- Peloza, J. & Papania, L. (2008). The missing link between corporate social responsibility and financial performance: Stakeholder salience and identification. *Corporate Reputation Review*, 169-181.
- Prieto-Carron, M. & Lund-Thomsen, P. C. (2006). Critical perspectives on CSR and development: what we know, what we don't know, and what we need to know. *International Affairs*, 977-987.
- Rivoli, P. & Waddock, S. (2011). "First they ignore you...": The time-context dynamic and corporate responsibility. *California Management Review*, 87-103.
- Saunders, M. L. (2012). *Doing Research in Business Management - An essential guide to planning your project*. Prentice Hall.
- Saunders, M. & Lewis, P. (2012). *Doing research in business & management - An essential guide to planning your project*. England, UK: Prentice Hall.
- Skinner, C. & Mersham, G. (2008). Corporate social responsibility in South Africa: emerging trends. *Society and Business Review*, 239-255.
- Tubino, T. I., Nonita, T. Y. & Devlin, J. F. (2011). Vale and its corporate sustainability performance in Itabira, Brazil: is the glass half full or half empty. *Impact Assessment and Project Appraisal*, 151-157.
- Utting, P. (2007). CSR and Equality. *Third World Quarterly*, 697-712.
- Vogel, D. J. (2005). Is there a market for virtue? The business case for corporate social responsibility. *California Management Review*, 19-45.
- Wadham, H. (2009). Talking across boundaries. Business and NGO perspectives on CSR, sustainable development and partnership. *Journal of Corporate Citizenship*, 57-68.
- Wang, H., Jaepil, C. & Jiatao, L. (2008). Too little or too much: Untangling the relationship between corporate philanthropy and firm financial performance. *Organisation Science*, 143-159.
- Werner, W. J. (2009). Corporate social responsibility initiatives addressing social exclusions in Bangladesh. *Journal of Health, Population and Nutrition*, 545-562.

Whitmore, A. (2006). The emperors new clothes: Sustainable mining. *Journal of Cleaner Production*, 309-314.

## Appendices

### A. Interview guide

#### Interview Questions

1. How does the organisation view CSR – as regulatory compliance or moral obligation?
2. Does the organisation have a CSR department?
3. How is the Department structured (organogram) – Corporate and Operation?
4. Can you describe the various processes within the department in terms of roles and responsibilities – Corporate and Operation?
5. How does the organisation budget for CSR expenditure - Annually, 5 yearly, life of projects?
6. What is the basis of the CSR budget, ie Percentage of profit, discretionary, Board approval, Fixed budget with escalations, etc
7. Does the organisation have a structured approach in executing CSR activities, ie.
  - Are Projects identified and then funds set aside during the budget process, or
  - Are funds set aside annually and the organisation identifies projects based on funds made available?
  - Is there a split between direct and NPO CSR contributions?
8. On what basis is CSR funding allocated ie, To NPO's for country wide CSI initiatives and Directly through company structures?
9. Can you provide the % split over the last 5 years?
10. For direct spend, describe the manner in which CSR projects are identified.
11. Is there a process of collaboration between the organisation, communities and government in identifying and executing CSR projects?
12. Is sustainability of the Project post completion considered in the evaluation of the project? If so, how is this done?
13. Can the organisation provide a breakdown of the Top 10 projects executed over the last 5 years?

14. Are all projects executed independently sustainable?
15. Have any projects not been executed in the manner intended. What were the possible causes of the failure?
16. What ranking method is in place to prioritise projects for execution ie. Health, Education, Infrastructure, etc?
17. How does the organisation select service providers to execute the various projects?
18. Is the selecting of service providers also carried out within the CSR framework aligned with meeting the organisations CSR obligations or do normal procurement rules apply, ie Projects are awarded to company's offering the most experience and best pricing structure?
19. Is there a process of ongoing management / monitoring of the CSR project post its close out.
20. For what period does the organisation oversee the project post its close out?
21. In terms of infrastructure projects, does the organisation offer any further financial assistance post the project close in terms of ongoing maintenance or reparations?
22. What reporting systems are in place to monitor and manage CSR projects?
23. What has been the success rate of executing sustainable projects over the last 5 years?
24. How have the internal processes of discharging CSI responsibilities changed over the last 5 years?
25. What impact has the change had on the company?
26. What further opportunities are there for companies to become more impactful and make a more meaningful contribution to Society when discharging its CSI responsibilities?

## B. Informed consent letter

I am conducting research in order to understand the sustainability of corporate social responsibility spend within the South African Mining industry. To this end, you are requested to participate in an interactive survey that will assist us in better understanding the workings of CSR within the organisation and amongst key stakeholders. The latter questions will form the essence of the discussions and you are requested to provide as much insight and depth into each of the questions as is possible.

Your participation is voluntarily and you can withdraw at any time without penalty. In addition, all data will be treated with the strictest of confidence. By completing the survey you indicate that you voluntarily participate in this research. If you have any concerns, please contact me or my supervisor at the details provided below:

Researcher name: Imraan Osman

Email: [imraan.osman@angloamerican.com](mailto:imraan.osman@angloamerican.com)

Phone: 083 457 1640

Supervisor Name: Dr Johan Olivier

Email: [fish eagle@imagnet.co.za](mailto:fish eagle@imagnet.co.za)

Phone: 083 452 5539

Signature of participant: \_\_\_\_\_

Date: \_\_\_\_\_

Signature of researcher: \_\_\_\_\_

Date: \_\_\_\_\_