

# **Experiences and perceptions of mining CSR representatives in Thabazimbi municipality: Dependency and Empowerment**

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## ABSTRACT

The aim of the research was to understand the experiences and challenges of Corporate Social Responsibility (CSR) in Thabazimbi and the implications and consequences for communities in terms of dependency and empowerment, as seen from the perspective of the mining representatives.

As corporate citizens, mining companies generate profits through the exploitation of mineral resources. There is an expectation that some of the benefits of this mining endeavours should be passed on to communities surrounding the company. This is generally considered the best sustainability practice and companies are expected to act as responsible corporate citizens.

Most of the previous research on CSR has focused on the perceptions of community members. This research is unique in that it focuses on the effects of CSR on the experiences and perceptions of key personnel from the mining companies who are responsible for the designing and implementing CSR strategies.

Mining company representatives did acknowledge that the past approach to CSR has created some dependency issues. However, more recently the company has moved to a strategy that focuses more on empowerment. They also acknowledge that, going forward, a new challenge emerges for mining companies, communities and local government. This challenge is to work towards ensuring sustainable development and empowerment with the focus on actual community needs. The conclusion was that for empowerment to be realised all relevant stakeholders need to play a role in the development process.

**Keywords:** Corporate social responsibility, corporate social investment, dependency, empowerment, mining, South Africa, sustainable development, community needs.

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## **LIST OF ACRONYMS**

AIDS	Acquired immune deficiency syndrome
CSI	Corporate Social Investment
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DMR	Department of Mineral Resources
GEPF	Government Employees Pension Fund
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICMM	International Council on Mining and Metals
JSE	Johannesburg Stock Exchange
LED	Local Economic Development
MMSD	Mining, Minerals and Sustainable Development
MPRDA	Mineral and Petroleum Resources Development Act
NGO	Non-Governmental Organisation
NWU	North-West University
PGM	Platinum Group Metals
SAAR	Social accountability, auditing and reporting
SHE	Safety, Health and Environment
SLP	Social Labour Plans
SRI	Socially Responsible Investment
WBCSD	World Business Council for Sustainable Development

# CHAPTER 1

## PROBLEM STATEMENT AND SCOPE OF STUDY

### 1.1 Introduction

South Africa's mineral wealth has influenced the location and the size of urban centres such as Johannesburg, Rustenburg, Witbank, Vereeniging and Welkom (Mining and Environmental Impact Guide, 2008). The country's settlement patterns and economic development would have been very different if minerals were not discovered and exploited, or if the existing minerals had been distributed in a different pattern (Gauteng Department of Agriculture, Conservation and Environment: Mining and Environmental Impact Guide, 2008). Even though primary mining activities have declined in Johannesburg, the sector still exports materials and skills to many parts of the world. Engineering companies, marketing companies, banks and suppliers of materials and equipment all continue to earn their living from the mining industry. This industry sustains the economy of an area that originally consisted of just farms and dusty mining towns (Gauteng Department of Agriculture, Conservation and Environment: Mining and Environmental Impact Guide, 2008: 5).

The Thabazimbi Municipality, located in the South-western part of the Limpopo Province, is one of South Africa's oldest mining towns (Thabazimbi Local Municipality, Integrated Development Plan, 2012). Thabazimbi is also known as "Mountain of iron", which is the Tswana name for the town. This name alludes to the highly lucrative iron ore reef that was first discovered in the Municipality in 1919 (Thabazimbi Local Municipality, Integrated Development Plan, 2012). Mining in the Thabazimbi Kumba Iron Ore Mine began in 1931 and was followed by iron and steel production. To date, Mittal Steel – one of South Africa's oldest and largest steel manufacturing companies – still draws much of their iron ore from the Thabazimbi Kumba Iron Ore mine (Thabazimbi Local Municipality, Integrated Development Plan, 2012).

The Thabazimbi Municipality provides a suitable environment in which to investigate the experiences and perceptions of representatives from the mining sector regarding CSR. This is due to Thabazimbi's population size, the age of the mining companies and the variety of commodities available in the municipality. The focus of the research was on the CSR activities within the Municipality area and not on the institution itself.

The table below represents the latest published statistics for Thabazimbi Municipality which indicates the Mining sector as the largest employer in the Municipality as it employs 68.7% of the community within the Municipal area, followed by the agriculture sector with 8.3% (Thabazimbi Local Municipality, Integrated Development Plan, 2012: 76). Mining is seen as a huge incentive for economic stability within the municipality as it creates job opportunities and also absorbs numerous skills within the Thabazimbi Local Municipality (Thabazimbi Local Municipality, Integrated Development Plan, 2012). In addition to mining, agriculture is also seen as a strong economic sector in the municipality. The table below outlines the economic contributions of the different sectors in the Thabazimbi Municipality.

**Table 1: Economy contribution per sector**

Sector	2004	Sector %	2005	Sector %	2006	Sector %	2007	Sector %
Agriculture	435	9.5	4 098	9.2	4 027	8.4	4 329	8.3
Mining	30 635	67	29 281	65.7	32 650	67.7	35 811	68.7
Manufacturing	1 500	3.3	1 565	3.5	1 682	3.5	1 717	3.3
Electricity	177	0.4	183	0.4	189	0.4	193	0.4
Construction	1 458	3.2	1 686	3.8	1 665	3.5	1 674	3.2
Trade	1 629	3.6	1 761	3.9	1 883	3.9	1 890	3.6
Transport	957	2.1	968	2.2	926	1.9	888	1.7
Finance	980	2.1	1 052	2.4	1 107	2.3	1 180	2.3
Community services	1 748	3.8	1 747	3.9	1 767	3.7	1 874	3.6
Household	2 263	5	2261	5.1	2324	4.8	2 575	4.9
<b>Total</b>	<b>45 699</b>	<b>100</b>	<b>44602</b>	<b>100.1</b>	<b>48218</b>	<b>100.1</b>	<b>52132</b>	<b>100</b>

(Source: Thabazimbi Local Municipality, Integrated Development Plan, 2012: 76)

The table below details mining companies within Thabazimbi municipality with Thabazimbi Kumba Iron Ore Mine being the oldest mine within the Municipality. Kumba Iron Ore is part the Anglo American group of companies. Kumba disclosed in their report that they are adopting Anglo American’s ambition to be the leading global mining company. This includes Kumba’s mission to deliver outstanding sustainable value to its stakeholders (Kumba Iron Ore Sustainable Development Report, 2011).

**Table 2: Mining activity in the Thabazimbi Municipality**

MINE	MINERAL	OWNER
Anglo Platinum Union Section	Platinum	Anglo American
Anglo Platinum Amandelbult Section	Platinum	Anglo American
Goldfields Northam Platinum Mine	Platinum	Goldfields
Kumba Iron Ore Thabazimbi Mine	Iron Ore	Anglo American
PPC Dwaalboom Palygorskite	Cement	PPC
Trollope Mining Services (TMS) Rhino Andalusite Mine	Andalusite	Trollope Mining

(Source: Thabazimbi Local Municipality, Integrated Development Plan, 2012: 6)

## 1.2 Corporate Social Responsibility (CSR)

CSR is firmly placed on the global policy agenda and also appears in the strategies of multinational companies. There have been a number of attempts by different organisation to come up with a suitable definition of CSR. Some of the definitions are as follows:

**Carroll** (1979: 500) termed CSR as “the social responsibility of business which encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time”.

Lea (2002: 10) for the **Institute of Directors in the UK**, argues that CSR is about businesses and other organisations going beyond the legal obligations to manage the impact they have on the environment and society. In particular, this could include

how organisations interact with their employees, suppliers, customers and the communities in which they operate, as well as the extent to which they attempt to protect the environment.

The **World Business Council for Sustainable Development** (WBCSD) (2002: 6) defines CSR as the commitment of business to contribute to sustainable development. This entails working with employees, their families, the local community and society at large to improve their quality of life.

All these definitions are centred on the need to co-operate with and contribute positively to the communities in which a company operates. There is a need to ensure that CSR programmes create and contribute to the empowerment and the long-term sustainable development of communities. This requires a delicate balance to ensure that the good intentions of a mining company's CSR do not result in dependency of the community. This would only introduce poverty to areas that were self-sustaining before the introduction of mining in that region.

In most cases CSR has been confused with CSI (Corporate Social Investment) and the two have been used interchangeably, which helped to sow confusion. As implied in the definitions above, CSR refers to an organisation's total responsibility towards the business environment in which it operates. CSI, on the other hand, is one of the sub-components of CSR and aims to uplift communities in such a way that the quality of life is generally improved and safeguarded.

Within the company, socially responsible practices primarily involve the employees. It also relates to issues such as investing in human capital, health and safety, and managing change, while environmentally responsible practices relate mainly to the management of natural resources used in the production process. Outside the company CSR mainly through CSI activities extends to the local community and involves a wide range of stakeholders: business partners and suppliers, customers, public authorities and NGOs who represent local communities; CSR also focus on enhancing the environment (European commission, 2001).

CSI as a component of CSR include projects that are external to the normal business activities of a company and not employed directly to increase company profit. Trialogue defines CSI as any social development activity that is not undertaken for the purpose of generating business income. This comprises the cash and non-cash items given to people, as well as organisations and communities that operate outside the business (Rockey, 2005: 186).

### **1.3 Problem statement**

CSR is seen as an integral part of South Africa's development, and questions need to be asked about this strategy's role in the empowerment and development of communities in the past, present and future. There is a need to understand the contribution and the role of business in communities in which they operate and of society as a whole. This will help shed light on whether such contributions have led to a larger number of empowered communities, which are sustainable and self-sufficient. Or have these strategies created more problems by fostering dependency and complacency within communities.

The concept of CSR has existed for a long time. Over time the expectations on a sustainable environment have increased within society and amongst the other stakeholders. CSR activities in the past decades have been such that business firms were expected to undertake these initiatives as a contribution to help make the world a better place in which to live. Business firms responded by engaging in a wide range of CSR, more as a form of philanthropic activities.

However, this form of engagement from business with society through CSR activities focusing on a wide range of social and environmental issues generated much criticism. Researchers maintained that such types of CSR activities seemingly attempting to address each of the diverse social problems were neither good for business nor healthy for society (Levitt, 1958; Friedman, 1970; Lantos, 2001; Drucker, 2001; Porter and Kramer, 2002, 2006; Meehan *et al.*, 2006).

In some instances business CSR activities that was implemented through CSI, adopted a more paternalistic approach. In terms of this approach businesses would be

responsible for rendering basic community services, such as access to water, building schools and providing housing. This in particular was applicable to mining companies. But the absence of a focused strategy led most companies to embark on a diverse range of activities through which they attempted to address and respond to perceived community needs.

Outcomes of CSR have often been measured by assessing the experiences of individuals with diverse views and with no clear definition of what empowerment entails, and what it should produce. The aim is to get more insight and understanding of CSR from a perspective within a mining environment. In order to gain such an insight the mining companies' approaches to CSR have to be investigated, and subsequent experiences and perceptions ascertained of key stakeholders who are responsible for the implementation of the CSR strategies.

Blowfield and Murray (2008: 111) explain that “in corporate responsibility literature, there is much more discussion of the aims of these systems (e.g. that they are inclusive, responsive, and engaged with stakeholders), than there is of what they look like in practice”. These diverse expectations and differing views on what CSR is supposed to be achieving create various challenges for those tasked with implementing the CSR initiatives.

Against the background sketched above, and the introduction to this research, the **problem statement** is as follows:

There are conflicting testimonies from different stakeholders on the undertakings and outcomes of the initiatives from the mining CSR. The question remains whether these initiatives have caused community members to be dependent on mining companies, or have led to the empowerment of the communities. Jenkins and Obara (2008: 10) argue that there exist a very fine line between CSR that creates dependency and CSR that develops a community or region in a sustainable manner. Therefore the challenge for mining companies is to develop CSR strategies that maintain goodwill in communities toward the company and, at the same time address the long-term developmental needs of the community in a sustainable way, without creating a culture of dependency amongst the members.

#### **1.4 Research questions and objectives**

The objective of the research was to explore experiences and perceptions on mining CSR initiatives from mining CSR representative in the Thabazimbi Municipality focusing on the issues of dependency and empowerment. In view of this objective the research seeks to answer the following questions:

- What has been mining companies approach to CSR in Thabazimbi municipality?
- What has been the experience of mine CSR representative of the CSR undertaken by mining companies in Thabazimbi?
- What are the perceptions of mining CSR representative in terms of mining CSR creating community dependency or empowerment?
- What is the approach and focus of CSI and Social and Labour Plans projects undertaken by Kumba Thabazimbi Iron Ore mine?

Deduced from the primary research objective, the following secondary objectives of the study are to:

- Evaluate mining company CSR practices in Thabazimbi
- Explore the experiences of CSR representatives from this mining company.
- Assess perceptions on whether CSR creates dependency or empowerment within the communities.
- Review the Kumba Thabazimbi CSR activities in relation to commitments made in the SLP.

#### **1.5 Central theoretical argument: Dependency and Empowerment**

1. Businesses that contribute to an increasingly sustainable society are more likely to be valued and supported by consumers, supply chains, and policy makers (Kritkauskys & Schmidt, 2011: 4).

Sustainable development entails growth and change that maintains and improves the natural environment (impacted by production processes), human resources (which deals with management of employees), and society upon which human life depends. No business can predict the future fully; however, smart businesses can plan for a

future in which significant social and environmental changes are certain to occur. Sustainable development has been defined in many ways, but the most frequently quoted definition is from *Our Common Future*, also known as the Brundtland Report (World Commission on Environment and Development, 1987: 43)

*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

2. Empowerment is a key means to achieving sustainable development on local society level.

Empowerment aims to ensure that people have the opportunities to live better lives in dignity and security (Alsop, *et al.*, 2002). Job creation, access to water, sanitation, energy, education and health care all have empowerment at their core. By combining the need for empowerment and strategies for development, this allows for attention on issues that matter most in the lives of communities. Such issues are the opportunities for decent work, the chance to enjoy basic services and for local citizens to participate fully in the political life of their communities and society at large (Alsop, *et al.*, 2002).

Kennedy (1998) points out that when there is no development of the people and their communities, the participation of these people in the development of their communities is limited. Kennedy (1998) further argues that “mining companies are also notorious for engineering dependency amongst communities around major resource projects, a debilitating and humiliating trajectory for people. Likewise, national governments become addicted to mineral revenue, such as taxes and royalties. This means that these governments are often poor enforcers of sound environmental and social regulations. Instead, the clean-up costs for the legacy of mines are externalised to future generations rather than accounted for by the operating companies responsible for them”.

Dependency is simply defined as the phenomenon whereby communities and governments are dependent on companies to provide the basic needs for survival or development, whether this will be in the form of employment, housing, access to running water or even social amenities, such as proper schools (Jenkins & Obara, 2008).

Spoor (2006) argues that the impact of mining on indigenous communities is devastating. It destroys their land, their way of life, their culture, their identity and their dignity. Mining finds them as a poor but dignified and substantially self-sufficient community and turns them into landless rural slum dwellers. He further argues that modern mining is hugely capital intensive. This means that only a limited number of people are employed and most of those people are highly skilled workers. Therefore local inhabitants cannot compete for the limited number of jobs on offer and thereby derive little benefit from the presence of the mining in their area.

The challenge for mining companies, communities and governments is to work together to ensure that strategies are focused on sustainable development and the community's empowerment needs.

## **1.6 Research methodology**

The research procedure selected for this study included a literature review and an empirical study that employed the method of semi-structured interviews amongst key mining representatives who are responsible for CSR in Thabazimbi.

### **1.6.1 The Literature review**

The literature review was used to collate the research findings on the topic. At the same time it was used to obtain information on the CSR activities of mining companies, government policies, as well as literature on CSR strategies in mining. To achieve this, the literature study utilised the following databases:

- The internet
- Company reports
- Social and Labour Plans
- Newspaper articles
- Journals
- Books on the topic.

### **1.6.2 Research setting**

The research was conducted in the Thabazimbi Municipality, which has a number of mining companies with focus being on Kumba Iron Ore Thabazimbi Mine. Kumba

Iron Ore Thabazimbi mine is the oldest mine within the Thabazimbi municipality. The mine is nearing end of mine with closure planned for 2016 (Kumba Iron Ore Sustainable Development Report 2010: 60) and thus the mine provides a good illustration on experiences and perceptions of CSR from the company using evidence from their Company reports and Social and Labour Plan.

### **1.6.3 Sampling procedure**

The sampling method used for this research is convenience sampling. According to Castillo (2009), convenience sampling is a non-probability sampling technique where subjects are selected because they are conveniently accessible and close to the researcher. The researcher was employed by the Anglo American group of companies. Therefore selecting an area and population for study located within the areas where Anglo American group operates in South Africa provided convenience in collecting the data.

Snowballing was also used. According to this method, the researcher utilised participants or informants with whom contact has already been made to identify other people who could potentially participate in or contribute to the study. Snowball sampling is often used to find and recruit participants who are not easily accessible to researchers through other sampling strategies (Berg, 1998).

The researcher contacted the social managers within Thabazimbi to help identify other key people who could provide insight on the CSR strategy and approach in this region. Making use of the received information the researcher contacted stakeholders at head offices responsible for CSR strategies, in order to arrange interviews. The respondents who were selected were chosen on the basis of their role and expertise in mining's CSR programmes. They were key individuals within mining companies who are responsible for the development, management and implementation of CSR strategies in those companies. (See Annexure B for the list of respondents.)

The choice of the research setting was motivated by the fact that the researcher was aiming to conduct a research in an environment where there is no research fatigue from the mining and community perspective. However there is still enough activity and history to provide insight into the legacy of the CSR programme of mining in this region.

#### **1.6.4 Data collection**

Data collection was conducted by means of semi-structured interviews with key stakeholders and the analysis of documents from company reports, Social and Labour Plan and other avenues of research. The collection was carried out in order to determine what the experiences and perceptions were of the key persons in the company on how the CSR impacted on mining communities.

##### ***1.6.4.1 Semi-structured Interviews***

It was essential that a major part of the allocated interview time was spent developing a “rapport relationship” (good rapport) in which the researcher could explain the research context to the respondent. To ensure a solid interview relationship and good co-operation from the respondents the researcher explained the motivation for their selection (nature of sample). It was also explained that participation was “voluntary” and that the respondent should feel free to end the interview at any time; and how the raw data would be processed.

Babbie & Mouton (2001: 251) highlight the following general rules for face-to-face interviewing, which should be considered when doing interviews. These rules cover the following aspects:

- characteristics of interviewer (language, age, ethnicity);
- familiarity with questions (know the field which you are researching);
- recording responses exactly (do not make your own assumptions/interpretations about the answers rendered);
- probing for responses (ensure that the interviewee understands exactly what is asked and that the response is applicable to what was asked).

At the start of each interview the researcher introduced herself and also explained the objectives of the research, the processes that would be followed and how the accuracy of the data would be ensured.

The interviews were based on an interview guideline that was structured around the following themes: understanding of the approaches on mining CSR, experiences and challenges of implementing the CSR and perceptions on the consequences of the CSR with regard to dependency and empowerment in the community (Annexure C). All the interviews were recorded by using a voice recorder.

The semi-structured nature of the questions allowed the researcher to engage in dialogue with the interviewees, and to probe, clarify and question what were considered to be important issues. This method allowed the researcher to unearth and explore issues in a manner that would not have been possible with more structured methods of data collection, such as formal questionnaires. It also ensured that uncertainties were cleared up before the end of the interviews. A follow-up interview was conducted with one of the respondents from the Thabazimbi Mine in order to get clarity on issues as well gather more information. This was also as part of refocusing the research on the Thabazimbi Mine.

At the end of the interviews, the respondents were thanked for their time and effort. They were given the assurance that they would receive feedback after the final analysis and the rounding off of the report. The information received from the interviews was also reviewed against the information from the company reports, as well as from the Social and Labour Plan .

### **1.6.5 Data analysis**

Berelson's classic definition of content analysis is a research technique for the objective, systematic, and quantitative description of the manifest content of communication (Berelson, 1952: 18.). More recently, Neuman (1997) listed content analysis as a key non-reactive research methodology. He defines it as "A technique for gathering and analysing the content of text. The 'content' refers to words, meanings, pictures, symbols, ideas, themes, or any message that can be communicated. The 'text' is anything written, visual, or spoken that serves as a medium for communication" (Neuman, 1997).

Thematic content analysis was used in analysing and interpreting the data from the research. This type of analysis is said to be highly inductive, which means that the themes emerging from the data are not imposed on the findings by the researcher. In this type of analysis, data collection and analysis take place simultaneously. Even background reading can form part of the analysis process, especially if it can help to explain an emerging theme.

Thematic analysis does not merely rely on the use of specific words as units for categorisation. This method relies on the coder to recognise certain themes or ideas in the text, and then allocate these to pre-determined categories (Beardsworth, 1980, in Deacon *et al.*, 1999).

## **1.7 Ethical considerations**

The Ethical approval for the interviews was obtained from the North West University (NWU) in 2011. Ethics implies preferences that influence behaviour in human relations (De Vos *et al.*, 2005: 57). In this sense ethics deals with matters of right and wrong. This implies that anyone involved in social scientific research should be aware of agreements between researchers and participants with regard to what is proper and improper in conducting the research (Babbie & Mouton, 2001: 470).

All ethical considerations were taken into account during the research. The researcher ensured that informed consent from all stakeholders was sought and that they had access to the information they required. In all of the interviews the participants were made aware of the purpose and intent of the study.

The participants' right to privacy was respected and under no circumstances were participants informed of other participants' responses. The ethical considerations included respect for the respondents' freedom, the right to self-determination, privacy, autonomy, volunteerism, confidentiality and avoidance of harm to the respondents.

## **1.8 Chapter layout**

**Chapter 1: Problem statement and scope of study** – This chapter outlines the problem statement and explains the objective of the study, the theoretical background, as well as the research design.

**Chapter 2: Literature review** – In this chapter the theories on CSR are introduced that have influenced the behaviours, perceptions, and objectives of the mining companies, communities and governments. Finally, an overview of the environment within which these mining companies operate is presented. This overview focuses on the socio-economic landscape, legislation and other governance structures within the municipality.

**Chapter 3: Theoretical framework** – This chapter provides a general framework for the data analysis that was done after the research was conducted.

**Chapter 4: Research findings** – In this chapter the findings from the field research are presented. The findings focused on the perceptions and experience of representatives from the mining company on CSR strategies that were initiated.

**Chapter 5: Data analysis** – This chapter focuses on the analysis of data collected on the role of CSR programmes in mining and whether they encouraged dependency, empowerment or both in the local community.

**Chapter 6: Conclusions and recommendations** – In this final chapter the findings from the literature review and the empirical study are integrated to provide a conclusion and a number of recommendations for future research.

## **1.9 Conclusion**

Against this background the next chapter discusses the literature review on sources that deals with CSR strategies in South Africa. Chapter 2 will investigate the theory and findings of other researchers, as well as the legislative drivers and other drivers for CSR in mining companies.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

The literature review in this chapter will focus on research conducted on CSR in South Africa. The review will cover the role of business in the country's development, the drivers and methods used and how these manifest in CSR objectives for mining companies. From a broader African perspective, the track record of big business in Africa shows a mixed picture regarding the contribution to the development and empowerment of communities. There is certainly no shortage of examples from specific corporate companies that are a party to political corruption, environmental destruction, labour exploitation and social disruption, stretching back more than 100 years (Visser *et al.*, 2006). Equally, however, there is ample evidence of the benefits of business generally, bringing capital investment, job creation, skills transfer, infrastructure development, knowledge sharing and social responsibility programmes to countries throughout Africa (Visser *et al.*, 2006).

Visser (2006) provides a brief analysis of corporate citizenship research focusing on Africa over a ten-year period. The research reviewed journal articles published in the key corporate citizenship journals over the period 1995 to 2005. Visser (2006) concludes that the volume of published research is still extremely low, with most research dealing with business ethics and the coverage being almost exclusively on South Africa. The focus of this chapter is on the available literature on Corporate Social Responsibility (CSR), more specifically in South Africa.

The complexity with CSR is that individuals' perceptions and views on CSR are influenced by their ideological background, which has resulted in very divergent views on CSR and its role in business. Former chairman of Anglo American, Sir Ernst Oppenheimer, described what he believed to be the role of business in society:

*[Our aim] is, and will remain, to make profits for our shareholders, but to do so in a way as to make a real and lasting contribution to the communities in which we operate* (Anglo American Safety, Health and Environment Report, 2000: 1).

However, anti-globalisation movements view CSR as a means of sustaining and legitimising capitalism. Proponents of this view make reference to a famous quote by Milton Friedman:

*There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, it engages in open and free competition without deception or fraud* (Friedman, 1970).

A perspective such as Friedman's would see CSR strategies as part of a system where the state plays a 'weakened' role in the economy. This perspective is based on the neoliberal doctrine that discredits the role of public authorities as arbiters between divergent interests, as regulators of economic and financial activities and guarantors of public services of national interest. CSR does, however, replace the "hard law" in capitalism with a 'soft law'. Laws are in effect being replaced with recommendations, giving capitalism a more acceptable face. Sir Oppenheimer's vision describes a business that has a conscience and is aware of the impact its actions have on the communities and the environment. Friedman's argument, by contrast, fails neither to mention nor acknowledge the unintended impact and consequences of business, which could lead to inequality, poverty, pollution, and other social outcomes.

There is also no clarity on who should be accountable for these outcomes. Hamann and Kapelus (2004) argue that CSR-related narratives and practices can be assessed successfully by applying accountability and fairness as key criteria. They also refer to brief case studies done on mining in South Africa that suggest that there are still significant discrepancies between the CSR activities of mining companies on the one hand, and accountability and fairness to the recipients on the other hand.

This chapter reviews key drivers for the changing landscape of CSR in the South African environment, where these drivers have had a significant impact on mining

companies. The King Report on Corporate Governance, Johannesburg Stock Exchange Sustainability Index (JSE SRI) and International Council on Mining and Metals are mainly responsible for encouraging principles of good corporate citizenship amongst mining companies. The Black Economic Empowerment Legislation is the key driver in terms of the legal requirements that aims to transform and empower South African society at community level. Researchers are continually reviewing and reporting on progress, challenges and the impact of CSR in South Africa.

## **2.2 King Report, South Africa (1994)**

In 1994 the King Committee on corporate governance, initiated by the Institute of Directors, issued an influential report on corporate governance. Chapter 20 of the report contained a Code of Corporate Practices and Conduct. The South African Companies Act was subsequently amended to reflect certain recommendations on the code. The report's successor, the so-called 'King II Report', was published in 2002. It identifies social responsibility as one of seven characteristics of good corporate governance (King Report on Corporate Governance, 2002). In 2009 the King III Report was released, which has broadened the scope of corporate governance in South Africa with its core philosophy revolving around leadership, sustainability and corporate citizenship (King Report on Corporate Governance, 2009).

The new Companies Act codifies the standard for directors' conduct and regulates the liability of directors where the standard is not met. Directors are obliged to act in good faith, in the best interest of the company and with the level of skill and diligence required for good governance. These standards will be enforced by the Companies and Intellectual Property Commission. Shareholders and other stakeholders of a company will hold the company and its directors accountable in accordance with this Act.

There is no statutory obligation on companies to comply with the recommendations of the King III Report. The underlying intention of King III is not to force companies to comply with recommended practice, but rather for companies to 'apply or explain'. Directors are accountable to shareholders, and where directors opt not to implement

the recommended practices as set out in King III, they should be able to explain their reasoning and motivation to the shareholders.

Directors can be held personally liable, however, if they do not comply with their statutory duties as set out in the Companies Act. Therefore directors need to ensure that they take each decision with care. Most, if not all of the recommended principles for best practice as set out in King III relate to the legislative duties of directors. This means they should exercise powers to perform their functions in good faith and for a proper purpose in the best interest of the company. In addition, they should do it with the degree of care, skill and diligence that may reasonably be expected of a director (King Report on Corporate Governance, 2009: 6).

The key principles in terms of social issues in the King III Report are as follows:

- Social transformation and redress are important and need to be integrated within the broader movement to achieve sustainability. Integrating sustainability and social transformation in a strategic and coherent manner will open up greater opportunities and efficiencies, and will provide benefits, for both the company and society at large.
- The reporting of sustainability is in need of renewal in order to respond to the lingering lack of trust amongst society members on the intentions and practices of big business. It should also address concerns amongst decision makers in the business sector that sustainability reporting is not fulfilling their expectations in a cost-effective manner (King Report on Corporate Governance, 2009: 9).

In addition, King III has explicitly referred to the Social responsibility standard ISO 26000. This is evident of the strides South Africa's business sector made towards establishing a social responsibility agenda in corporate governance. ISO 26000 is a voluntary guidance standard on social responsibility designed for use by any organisation. It can be employed to plan and implement actions to improve CSR efforts systematically, evaluate their progress and effectively report on the progress that is made.

### 2.3 Public sector participation in CSR – 2003

The World Bank released a report in 2003 on the Role of the Public Sector in CSR. The report highlighted areas where the contemporary corporate social responsibility agenda has itself given rise to new kinds of policy instruments, or new roles for Government (Petkoski and Twose, 2003). The following were highlighted as key areas:

- **Mandating** – governments define minimum standards for business performance that are embedded within the legal framework.
- **Partnering** – this involves combining public resources with those of business and other actors to leverage complementary skills resources in order to tackle issues within the CSR agenda.
- **Endorsing** – showing public political support for particular types of CSR practice in the market place or for individual companies.
- **Corporate governance** – poor corporate governance practices can be addressed and rectified by establishing corporate governance guidelines and codes of conduct.

Public sector roles have also included negotiation on and the implementation of international principles, partnership-based code development and engagement in capacity building, as well as pension's legislation linked to good corporate governance practices. This partnership is also demonstrated by the relationship of the JSE, SRI and Government Employees Pension Fund (GEPPF).

Corporate governance guidelines and codes stipulating best practice are seen as offering one way to respond to poor corporate performance and what is seen as less than effective board oversight. Some governance codes are linked to listing or legally mandated requirements for disclosure. Business-driven codes, such as those contained in the King III Code, can be important drivers for changes in the legislation of companies.

### 2.4 International Council on Mining and Metals – 2003

The International Council on Mining and Metals (ICMM) has committed its members to seeking “continual improvement in their performance and contribution to

sustainable development so as to enhance shareholder value” (ICMM, 2010). The mining industry has to deal with the new challenges of the future. These challenges include the fundamental role of sustainable development and the introduction of ethical management based on a management through values. ICMM expects companies to accept responsibilities for local and national development. Companies should also orient their activities towards satisfying society at large. This also includes greater exposure to the diversity of cultures and social issues. Companies’ activities should focus on demands from consumers and shareholders for responsible practices. Relevant to the mining industry is the decentralisation of activities, as well as more administrative and international regulations in mining practices (ICMM, 2010).

The ICMM has promoted sustainable development as a source of competitive advantage. Since 2003, the ICMM has formulated ten basic principles of good practice. These principles include ethical management, sustainable development and contribution to the social and economic development of local communities. The application of CSR in mining activities must be considered as a double focus: on the one hand, providing conciliation between interested parties in the mining industry, the government, and society, while on the other hand being a social investment that provides opportunities to develop the company and to improve its reputation (Vintro and Comajuncosa, 2010).

## **2.5 JSE Sustainability Index – 2004**

The JSE launched the first Socially Responsible Investment (‘SRI’) Index in May 2004. This gave recognition to the strides that listed companies are making in the reporting of sustainability. The SRI Index comprises listed companies which meet criteria that measure their environmental, social and governance policies, management practices and reporting. The intention of the index is to encourage companies to operate responsibly and transparently. The aim is further to get institutions to consider environmental, social and governance factors when assessing potential investments.

The JSE commented at the announcement of the results of the annual SRI Index Review on 1 December 2010, that a record number of listed companies had achieved the standards required to join the JSE's 2010 SRI Index. This announcement puts pressure on institutional investors to consider sustainability criteria when assessing potential investments on the JSE (JSE SRI, 2010).

This pressure was also heightened by an announcement by the JSE and the Government Employees Pension Fund (GEPF), South Africa's largest pension fund, that they intended working together closely to support responsible investment in communities. The intention is to make the SRI Index the benchmark for broad-based environmental, social and governance practice amongst listed companies.

## **2.6 Black Economic Empowerment Legislation (Mining Charter – 2004)**

At times legislation that may not appear to be part of the CSR agenda in one context sets the public policy context for business-led activities that are 'beyond compliance' in another context. This legislation reflects the range of definitions for CSR specific to certain regions. The South African government has introduced a legislation to promote black economic empowerment (BEE) as a means of redressing the legacy of apartheid. Business initiatives around race issues in the national context are understood as an integral part of the CSR agenda. Government stipulates certain procedures that companies must follow, and, in addition, gives a strong lead to the business community by defining national socio-economic priorities to which companies can contribute.

Affirmative action policies include those related to employment practices, procurement of businesses in the private and public sector and company ownership. All of these policies give preferential treatment to historically disadvantaged South Africans. These groups include all South African citizens, categories of persons or community, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), came into operation (Mineral and Petroleum Resources Development Act 28 of 2002).

In July 2002 the South African government put forward a charter to provide a framework for promoting the empowerment of historically disadvantaged South Africans in the mining and minerals industry. The Mining Charter 13 August 2004 (as it is called) defines the focus areas for mining companies in terms of transformation and empowerment. The Charter also outlines the targets and time-frames to achieve those targets. The Mining Charter targets the following focus areas: ownership, procurement, employment equity, beneficiation, human resource development, mine community development, housing and living conditions.

In 2010 the South African government reviewed the Mining Charter to encourage transformation within the mining industry, and has again recently reviewed the targets in its Mining charter. The reviewed Mining Charter also refers to Social and Labour Plans, and in addition to that, it requires from suppliers to mining companies to contribute 0,5% of the income from goods which they have supplied to the mining companies (Amendment of the broad-based Socio-economic empowerment charter for the South African Mining and Minerals industry, 2010).

The Social Labour Plans describe how the mining company should assist in developing the community in which it operates. This development covers areas such as education, labour, housing, procurement and infrastructure. Implementation of the Social and Labour Plans is monitored by Government. This is done over and above the taxes and royalties that mining companies are to pay as part of the mining rights Amendment of the broad-based Socio-economic empowerment charter for the South African Mining and Minerals industry, 2010).

## **2.7 Legislating CSR – 2008**

There are concerns about whether legislation on CSR will encourage the right behaviour, or whether companies will use this as an opportunity to market their companies' activities in order to improve their image. Masaka (2008) argues that enforcing CSR is not only immoral but can also lead to corporate organisations manipulating these initiatives for motives of self-interest. He noted that businesses in recent times are integrating CSR strategies into their business plans. He states that such pro-social endeavours lack intrinsic worth since they are primarily meant to

‘polish’ a company’s corporate image and are seemingly not undertaken out of a genuine concern for the welfare and well-being of society.

Masaka (2008) highlights two dominant positions on the doctrine of CSR, namely the narrow and the broader view on CSR. Proponents of the narrow view argue that the only social responsibility of corporate organisations is to make a profit. However, adherents of the broader view in contrast argues that corporate organisations have social responsibilities over an above their economic responsibilities both of which are supposed to be treated as ends in themselves. He concludes by pointing out that corporate organisations might positively integrate CSR strategies into their business models if they were to adopt them voluntarily rather than be coerced to do so.

South Africa has emerged from an era of philanthropic activities and other voluntary CSR initiatives to a time with a new focus on co-operation with and empowerment of the communities. Even with this being the case, there is still a lot of ground to be covered in CSR implementation. Some companies still choose not to embark on CSR initiatives or they exploit such initiatives only as a marketing tool to enhance the company’s image. Not legislating CSR, but rather present it as an option, does not guarantee buy-in or commitment from companies.

## **2.8 Impact of new mining legislation in South Africa – 2009**

On 30 and 31 March 2009, the Parliamentary Portfolio Committee on Mineral Resources conducted public hearings on the 2010 Mining Charter review process. The hearings were held in Carletonville and Klerksdorp respectively. One of the stated purposes of the hearings was to determine how the Mining Charter, in both its original and revised forms, had impacted on people’s lives. The hearings also wanted to ascertain whether any benefits from its implementation had flowed to the communities (Motlhamme, 2011).

The hearings were attended by members of mining communities in these areas. Submissions were made in the hearings by various societal formations and interest groups, as well as individual community members. Issues were raised on the unaltered

socio-economic conditions that prevailed in the communities, and some negative sentiments were expressed towards the mining industry (Motlhamme, 2011).

The June 2011 newsletter of the Chamber of Mines Boyd (2009) quoted John Capel, executive director of the Benchmark Foundation, as saying that “even though mining has placed South Africa on the global economic map, the reality is that often the profits are kept in the hands of a few, the environmental damage is hidden or the responsibility denied and the fabric of society destroyed as communities are uprooted, workers poorly paid and health and safety risks to the workers and communities increased”.

This simply means that more pressure will be placed on the mining industry to contribute to the socio-economic development of communities. The communities will not accept the poor conditions in which they find themselves while just next door to them mining companies and their employees receive better services. Whether this is effected through projects under the Social and Labour Plan on which mining companies are supposed to embark or other community development projects, the fact is that communities are taking a stand and making their voices heard (Motlhamme, 2011).

Poor service delivery from municipalities and government departments has also contributed to the problem. It will probably also mean that, as frustrated and impatient communities exert more pressure on Government to make good on its service delivery promises, such pressure will be deflected towards the mining industry. It is also probable that the communities’ anger over the lack of service delivery will be projected towards mining companies in those communities where there are mining operations close by (Motlhamme, 2011).

The research conducted by the Benchmark Foundation indicates that 63% of companies are engaged in consultation processes with communities, while 49% of companies participated in the formulation of Integrated Development Plans (IDP) in mine communities. However, only 14% of companies extended their participation in the development of IDPs for labour-sending areas. A mere 37% of companies showed proof of expenditure in accordance with commitments set out in approved Social

Labour Plans (SLP). The rest of the companies implement Corporate Social Responsibility projects and report these as part of their contribution to IDPs (Bench Marks Foundation, 2008).

The research further identified a ‘narrow’ empowerment approach of handpicked individuals with the pretence of representing the broader interest of host communities. The industry expressed a need for a uniform approach to SLP models countrywide, against the unique development requirements voiced by individual communities. This proposal goes against the international best practice principle, according to which the same mining companies operate in developed countries where significant investments are made in community development projects. Such projects would then address specific needs of the communities prior to commencing mining activities in the area (Bench Marks Foundation, 2008).

A model of integrated resource management that has been proven successful is characterised by mining companies intending to develop projects within the same locality. They aim to accomplish this through pooling their respective resources in pursuit of high impact development within the communities that host the mines (Bench Marks Foundation, 2008).

## **2.9 Objectives of CSR in South Africa – 2009**

The German Ministry for Economic Cooperation and Development released a report on CSR in Sub-Saharan Africa in 2009 (German Ministry for Economic Cooperation and Development, 2009). The report highlighted the rationale for CSR involvement in South Africa. According to this report, CSR is largely driven by the need to address socio-economic challenges by providing economic access and opportunities to previously disadvantaged South Africans. At the same time the aim is to address Government capacity and lack of financial support that impede service delivery, through the implementation of philanthropic initiatives.

The report further revealed a general vagueness in the approach and practices guiding stakeholder engagement within the companies that were surveyed. Most companies indicated that they do not consult externally on CSR decision making. Some

companies went as far as to indicate that they did not derive much value from engagements with stakeholders.

The following five key factors were highlighted as impeding CSR (German Ministry for Economic Cooperation and Development, 2009):

- a) lack of a shared goal and commitment to projects from the recipient communities, as well as from other key partners;
- b) lack of capacity and experience by CSR practitioners – includes poor standards, lack of curriculum and accreditation, as well as the lack of skill or insufficient tools for engagement with external stakeholders;
- c) the CSR not sufficiently supported and driven by top management; this is the case especially with multinationals where the policy directives are not consistent with local situations;
- d) poor management of partner NGOs, as well as poorly trained, equipped or illiterate partners from within the host community;
- e) poor identification of CSR projects, including projects that were started because of the wishes or interests of a senior or powerful individual and no proper study or research being done beforehand.

## **2.10 Trialogue report on CSI in South Africa**

Triologue is a consulting, publishing and research organisation that specialises in the areas of sustainable business and CSI. Since 1998 this organisation has published annual industry handbooks on sustainability and CSI. The CSI Handbook has established itself as South Africa's authoritative resource on developments in the corporate social investment arena. The handbook is highly regarded for its in-depth primary and secondary research and independent editorial content.

In 2011 Trialogue published the 14<sup>th</sup> edition of the CSI Handbook. The handbook pointed out that although companies are investing an estimated R5 to R6 billion in social developments each year, it's not clear to what extent this is positively changing the lives of South Africans (Triologue, 2011). The handbook echoes the sentiment that for CSI to be effective, a business needs to monitor and evaluate its return on social

spending in order to determine the degree to which programmes are having a positive impact. These insights can then be used to drive the development of a social strategy that, on the one hand, actively supports the achievement of the company's overall strategic objectives, while, on the other hand, having a fundamental impact on the host society (Triologue, 2011: 62).

The handbook listed the following as key elements of a robust social investment programme (Triologue, 2011: 62):

- clearly defined, desired impacts of the strategy, both for the company and the host community;
- visible consideration of the real needs of the community when developing the strategy;
- identification of key social issues that impact the business's ability to operate, and a holistic programme design to address these issues;
- robust risk assessment from the perspective of both the company and the community;
- comprehensive monitoring and evaluation programme that allows the organisation to track the progress and determine the impact of the initiatives on an ongoing basis.

## **2.11 Kumba Thabazimbi Mine**

### **2.11.1 Introduction**

So far the review has considered the implementation of CSR from a global and South African perspective. This section will use selected annual reports to throw more light on CSR and CSI practices at the Kumba Thabazimbi Mine, the setting for this research study. Apart from providing a useful indication of how Kumba translates its CSR strategies into CSI programmes, this section provides information about the company which is relevant for the survey procedure. To a large extent examining Kumba's annual reports provide useful data triangulation as the mining CSR representatives discuss their experiences and perceptions.

Kumba stated in its 2008 Sustainability Report that its focus is on employee safety, occupational health, environmental management, as well as on social and community development (Kumba Iron Ore Sustainable Development Report, 2008: 10). Kumba's 2011 Annual Report reaffirmed its commitment to leave behind a positive legacy in the communities in which it operates. Through this commitment to safety and health, environmental management and corporate social investment, committed itself to become the partner of choice for the broadest range of stakeholders. (Kumba Iron Ore Sustainable Development Report, 2011: 9)

One of the celebrated successes mentioned in terms of social empowerment in the 2011 Annual Report was Kumba's Employee Empowerment Programme 'Envision'. This programme was implemented in 2006 when Kumba Iron Ore was unbundled from Kumba Resources. In December 2011, when the scheme reached the end of its first five-year term, a pre-tax pay-out of up to R576,045 per employee was declared and a total amount of R2.7 billion paid to 6 209 employees below management level (Kumba Iron Ore Sustainable Development Report, 2011: 14).

### **2.11.2 Thabazimbi Social and Labour Plan**

In 2012 the Thabazimbi Mine embarked on the development of a new Social and Labour Plan for the period 2013 – 2017. As the mine only has five years of operation left before closure, all aspects of the Social and Labour Plan will be directed towards mine closure.

In their Social and Labour plan for 2012/2013 Kumba Thabazimbi Mine identified three main areas of impact should the mine close:

1. Employees will be impacted directly through a loss of jobs and income.
2. The mine community will be impacted with increased poverty, social disruption and a loss of consumption expenditure in local businesses.
3. The local municipality's dependency on the mine's involvement in local economic development, service provision and the building of administrative capacity will be exposed.

In response to these impact areas the Kumba Thabazimbi Mine committed itself in the SLP. The Social and Labour Plan focused on the following key areas:

- socio-demographics;
- Human Resources Development Programme;
- Local Economic Development Programme; and
- Downscaling and Retrenchment Programme.

#### ***2.11.2.1 Socio-demographics***

As from 31 August 2012 Thabazimbi Mine employed 812 permanent employees and 920 core contractor employees. Out of a total of 1 732 employees 12% or 207 are female. The age and service statistics of Thabazimbi Mine indicate a high degree of workforce stability, maturity and experience with an average age of 46 years. The average length of service for the permanent workforce is 21.3 years, with 35.7% having been part of the mine for over 30 years. Contractor employees on the other hand show the opposite: the average age is 36 years and the length of service 1.5 years; only one of the contractor employees has been employed for longer than 10 years.

The age of the workforce is an important factor which needs to be taken into consideration when dealing with the closing of a mine. A younger workforce is more adaptable to new training possibilities and is geographically more mobile. An older workforce has fewer chances to re-enter the economy. Young males are more likely to migrate from the town, which make the women who stay behind more vulnerable. Older employees are generally less educated than the younger employees. At Thabazimbi Mine 80% of those permanent employees who are considered to be functionally illiterate are above 50 years old. Should they be retrenched their age as well as their lack of education will count against them.

A sample survey in 2009, in which employees older than 50 years old indicated their preferred town/city of retirement, showed that 110 employees wanted to retire in the area of Thabazimbi Municipality. Of this number only 63 were originally sourced

from this particular municipality. This means that about 47 transitional workers may remain in Thabazimbi after retirement.

#### ***2.11.2.2 Human Resources Development Programme***

Kumba mine SLP focuses on post-Thabazimbi Mine employment, which could be at other mining operations, other sectors of the economy or as entrepreneurs. This is not normally the case for SLPs. In a business as is also the case with mining companies, SLP in general would direct its interventions towards equipping employees with the necessary skills and opportunities to reach managerial positions.

It is reported that Human Resources Development (HRD) is focusing on the anticipated closure of Thabazimbi Mine. Actions plans will apparently be directed towards interventions that will ensure that employees are skilled and equipped either to assume new roles at other mining operations, or change their involvement in the industry completely.

**Table 3: Financial provision for the implementation of the Human Resources Development Programme**

<b>FINANCIAL PROVISION FOR THE IMPLEMENTATION OF THE HUMAN RESOURCES DEVELOPMENT PROGRAMME</b>					
<b>Budget Forecast</b>					
<b>Category</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>ABET</b>	R 252 000	R 267 120	R 283 147	R 300 136	R 318 144
Managerial Training Targets	R 988 000	R 708 000	R 538 000	R 300 000	R 200 000
Sector Transferable Skills	R 78 000	R 82 680	R 87 641	R 92 899	R 98 473
Learnerships	R 1 800 000	R 1 908 000	R 2 022 480	R 2 143 829	R 2 272 459
Portable skills	R 1 920 000	R 2 035 200	R 2 292 144	R 2 572 595	R 2 726 950
Mentorship	R 130 000	R 85 000	R 63 000	R 63 000	R 60 000
Bursary and Bridging School	R 640 000	R 651 000	R 657 000	R 664 000	R 671 000
Professionals in Training	R 2 520 000	R 2 773 000	R 3 050 000	R 3 355 000	R 3 690 000
Study Assistance	R 120 000	R 150 000	R 120 000	R 140 000	R 0
<b>Total</b>	<b>R 8 448 000</b>	<b>R 8 660 000</b>	<b>R 9 113 412</b>	<b>R 9 631 459</b>	<b>R 10 037 026</b>

(Source: Thabazimbi Mine Social and Labour Plan 2012/2013)

### ***2.11.2.3 Local Economic Development Programme***

Kumba mine LED Plan was reported to be focused on the enhancement of individual and community well-being by following the path of local economic development that safeguards the welfare of future generations. In the SLP it is highlighted that creation of employment and eradication of poverty are both dependent on the skills levels of people and the skills development linked to infrastructure. Therefore enterprise development will make out the corner stone of Thabazimbi Mine's LED programme for the next five years. The mine dedicated specific projects to the development of

employees and local people, and provided them with the necessary skills to participate in infrastructure and programmes to develop enterprises. LED projects are categorised as follows:

**Table 4: Thabazimbi Mine LED Programme**

<b>Category</b>	<b>LED Projects</b>	<b>Type of need</b>
<b>People Development</b>	Itereleng Skills Development Centre	Infrastructure and Skills Development
	Schools Management Programme	Skills Development
	Maths, Science, Technology Excellence Learner and Teacher Development Programme	Skills Development
	Early Childhood Development	Infrastructure and Skills Development
<b>Infrastructure</b>	Upgrading of Pump station and pipelines	Infrastructure
<b>Health</b>	Community Based Health Programme	Health
<b>Enterprise Development</b>	Sustainable Farming and Bio-Energy	Job Creation
	Enterprise Development Hub (Incubation Centre)	Job Creation and Entrepreneurial Development

(Source: Thabazimbi Mine Social and Labour Plan 2012/2013)

In dealing with the socio-economic challenges, two issues have been identified, namely skills shortages and human development. Therefore it was proposed that the LED programme focuses on these two issues. The mine affirmed its belief that the development of relevant skills is an important instrument to improve productivity and to help promote decent work in the informal economy. It also believes that education

and skills training can open doors to economically and socially rewarding jobs. This capacity building can also help develop small informal-sector businesses, allow the re-insertion of displaced workers and migrants, and support the transition from school to work for school drop-outs and graduates.

The Thabazimbi Mine disclosed that LED projects presented in the SLP are informed by the socio-economic baseline study. This study was conducted as part of the Socio-economics Aspect of Mine Closure Report, as well as through additional engagements with municipal officials and the Thabazimbi Community Development Forum, as indicated in table below.

**Table 5: Stakeholders engaged for purposes of LED**

Stakeholder	Representative	Position
Mr Peter Motlhabane	Thabazimbi Local Municipality	LED Co-ordinator
Ms Lena Molewa	Thabazimbi Local Municipality	IDP Co-ordinator
Mr Morutse Ntsoane	Thabazimbi Local Municipality	Municipality Manager
Mr Naledi Lucas Matlou	Thabazimbi Community Development Forum	Chairperson
Mr Paul Scruton	Thabazimbi Local Municipality Council	DA Councillor
Ms Semakaleng Sikwane	Thabazimbi Local Municipality Council	ANC Councillor

(Source: Thabazimbi Mine Social and Labour Plan 2012/2013)

In addressing skills shortages, the mine proposed interventions for different stages and facets. These interventions range from Early Childhood Development, Teacher Development Programmes, Maths and Science Development, to Technical Skills Development.

**Table 6: Financial provision for the implementation of the Human Resources Development Programme**

<b>FINANCIAL PROVISION FOR THE IMPLEMENTATION OF THE LOCAL ECONOMIC DEVELOPMENT PROGRAMME</b>					
<b>Budget Forecast</b>					
<b>Category</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
LED Contribution	R 36 850 000	R 12 750 000	R 12 800 000	R 10 300 000	R 10 700 000

(Source: Thabazimbi Mine Social and Labour Plan 2012/2013)

### 2.11.3 Kumba Thabazimbi Mine CSI projects

The table below gives a detailed exposition of the social and community development projects that Kumba Iron reported on for its Thabazimbi Mine from 2008 to 2011. There seems to be clear synergies between the CSI projects that were reported and the focus of the LED projects.

**Table 7: Kumba CSI projects**

	<b>Education projects</b>
Maths Centres	In 2009, Kumba funded Maths Centres to provide a mathematics and science teacher and a learner support programme within host communities. Beneficiaries were from 30 rural schools located in Thabazimbi, Tsantsabane and John Taolo Gaetsewe Municipalities. The total cost of the project amounted to R2.7 million (Sustainable Development Report 2009: 47).
Rooiberg Primary School	The company funded the upgrading of the ablution facilities at Rooiberg Primary School; the school was faced with a health risk due to old and dilapidated sanitation infrastructure.

<b>Skills Development</b>	
Itereleng Skill Centre	Kumba offers short courses to community members at Itereleng (Thabazimbi). During 2011, as many as 65 community members attended courses: 15 in welding, 15 in bricklaying, 20 in plumbing and 15 in carpentry (Sustainable Development Report 2011: 61).
<b>Health and Welfare</b>	
Clinic	Kumba financed the conversion of a building into a clinic and will fund the running of the clinic for the foreseeable future (Safety, health and employees Responsibility Review 2010 Kumba Iron Ore Limited: 33).
Community Wellness centre	In 2010 the Thabazimbi Mine donated a building for the establishment of a community wellness centre. The building has been upgraded to meet legal standards. The total cost for the upgrade was R900,000.
Victim Empowerment Centre	Thabazimbi Mine established a victim empowerment centre in partnership with the local South African Police Service and the Department of Social Welfare. The centre caters for victims of abuse. It serves as a temporary accommodation facility for victims before they are reinstated with their families. The mine made its emergency services available to the municipality on a continual basis to deal with emergency situations in the area. The mine is also actively involved in the local Fire Prevention Association. (Sustainable Development Report 2009: 48).

<b>Poverty alleviation and enterprise development</b>	
Enterprise Development	The Company contributed to the establishment of a business, Butterland Bakery, in Thabazimbi. (Economic Review Responsibility Report 2010, Kumba Iron Ore Limited, p. 43).
<b>Infrastructure</b>	
Infrastructure	The Company paved and tarred the Regorogile Ext 5 Road in Thabazimbi (Kumba Iron Ore Limited Responsibility Report 2010 Social and community development review 48).

## **2.12 Conclusion**

Initially, the motive for contributing to society was an ethical concern, which could be seen in philanthropic actions associated with charity. However, the changes brought about by economic globalisation, inequalities in incomes, the opening-up of markets and a greater awareness of sustainable development issues, amongst others, have created a new setting. This is accompanied by a concomitant concern about negative effects on the environment, which have become much more noticeable during the past few decades. Furthermore, a concern centred on a commitment to a sustainable environment has evolved into a commitment to the community of the region and country where the individual company carries out its activities. The King Code of governance has taken this commitment to another level by ensuring that company directors and executives take some responsibility for the actions of their companies in terms of social accountability.

According to the Benchmark Foundation Report, most of the mining corporations mean well, but have a long history of top-down paternalistic management and community engagement. This stems from a very steep pyramid-shaped organisational hierarchy. Most mineworkers are still referred to as ‘mine boys’ for example. Managers are more used to telling people what they need, rather than listening to the real needs that people express. The new legislative environment combined with old paternalistic behaviour patterns seems to bedevil the best efforts of the industry to

implement effective CSR and CSI programmes. If the aim and objectives of CSR are community development, these entrenched cultures need to change in order to make way for real community development.

The next chapter will describe the theoretical framework that was used as reference point to help identify and gain an insight into the themes that emerged in the study.

# CHAPTER 3

## THEORETICAL FRAMEWORK

### 3.1 Introduction

The main purpose of a theoretical framework is to help the researcher identify variables in the study and also to provide a general framework for data analysis. The theoretical framework of the study is a structure that can hold or support a theory in a research project (Torraco, 1997: 115).

A theory is said to be a set of interrelated concepts, which structure a systematic view of phenomena for the purpose of explaining or predicting. Chinn and Kramer (1999: 258) define a theory as an “expression of knowledge ... a creative and rigorous structuring of ideas that project a tentative, purposeful, and systematic view of phenomena”. This chapter will discuss the concept of dependency and empowerment and the elements associated with it. It will also focus on the theoretical framework that was used for a data analysis of these concepts and elements.

### 3.2 CSR: Dependency and empowerment

Frynas (2005: 584) and Auty (1998: 1) point out that when a new mining operation begins, local communities often view it as an opportunity to be provided with resources and infrastructure that will enhance their general welfare. This typically occurs because mining companies build roads and provide water and other infrastructure within the community.

Auty (1998: 5) suggests that many of the social opportunities provided by CSR activities border on creating a culture of dependency of community members on a depleted asset with a finite lifespan, which is part of an unsustainable process. Frynas (2005: 590) suggests that a ‘dependency mentality’ exists when communities look to a company to provide them with resources as recompense for social and environmental damage.

More often, communities are not involved in the design of community projects, seeing that this is mostly done through the use of external consultants. However, this has

resulted in the situation where communities do not have the required skills to maintain and sustain projects. The reason is that they were not part of the design and the implementation of the projects in the first place. Initiatives introduced in this manner cannot remain functional without continued support from outsiders and are therefore unlikely to contribute to the sustainable development of the communities. Unfortunately, many community involvement initiatives introduced by mining companies follow this ‘paternalistic’ pattern (Frynas, 2005: 590).

The World Bank’s 2002 Empowerment Sourcebook set out to bring together the reflection on and practice of empowerment as a first step to help develop a better understanding of this component of the Bank’s activities. The Sourcebook identified empowerment as “the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives” (Alsop *et al.*, 2002).

Empowerment is described as the process of increasing the assets and capabilities of individuals or groups to make purposeful choices and to transform those choices into desired actions and outcomes (Alsop *et al.*, 2006). Empowered people enjoy the freedom of choice and action. This in turn enables them to influence the course of their lives better, as well as the decisions which affect them in life.

However, perceptions of being empowered vary across time, culture and domains of a person’s life. In essence empowerment entails self-determined change. It implies bringing together the supply and demand sides of development. On the one hand it aims to change the environment within which impoverished and needy people live and, on the other hand, to help them to build and capitalise on their own attributes. Empowerment is a cross-cutting issue. It ranges from education and health care to governance and economic policy. These include activities that seek to empower the poor and the destitute in society. Such activities are expected to increase development opportunities, enhance development outcomes and improve people’s quality of life.

Development is seen as bringing about a higher material standard of living, healthier and longer lives, improved education, and greater control and options to those it targets (Hoben, 1997). This should ultimately lead to a more empowered society that

can participate in the community's development and are equipped sufficiently to take over managerial positions in the companies.

Crewe and Harrison (1998), Escobar (1995) and Ferguson (1990) concur that development sometimes introduces a new culture into a community. Therefore this process needs to be managed carefully in partnership with the communities. In this sense a change is required in the management process. The aim of this process should be to avoid what Gilberthorpe (2005) describes as creating the potential for poverty, economic dependency, civil warfare and disease.

### **3.3 Dependency**

It is important to understand why and how people are dependent on a resource. This can provide insight into the ability of resource users to cope with and adapt to changes in the user-resource relationship. Albrecht and Thompson (1988) describe resource dependency as a unique relationship between resource users and a resource.

Dependency on resources holds a number of social implications for society, communities and individuals. Changing the nature of the relationship between users and a resource can inadvertently compromise prosperity of the community members and affect the ability of social and ecological systems to be resilient (Adger, 2000; Boserup, 1981; Burdge and Vanclay, 1996; Farmer and Albrecht, 1998). Numerous studies have been conducted on the elements of resource dependency, as well as the impact on the people who are targeted. The elements of resource dependency are as follows: attachment to occupation, employability, attachment to place and financial status.

#### **3.3.1 Attachment to the occupation**

Marshall *et al.* (2007), state that resource users can become especially dependent on a resource because of their level of attachment to their occupation from which they extract the resource. When people with a strong occupational attachment suddenly face the prospect that they are no longer able to continue in their current occupation, they not only lose a means of earning an income. They also lose an important part of their self-identity. The self-identity that is created as a result of working in an industry

that exploits resources has been described by four principle components: distinctiveness, continuity, self-esteem and self-efficacy. Each of these components is important to help maintain a favourable level in people's self-identity (Pajak, 2000; Twigger-Ross and Uzzell, 1996).

- *Distinctiveness* enables people to differentiate themselves from other people. It describes a certain lifestyle and acknowledges the fact that people have a specific relationship with their environment or occupation. This relationship is unique and clearly different from any other type of relationship.
- *Continuity* allows for the maintenance or reinforcement of identity (Twigger-Ross & Uzzell, 1996).
- *Self-esteem* enables people to evaluate themselves positively. It is closely related to a person's feeling of worth or social value, and is usually associated with a sense of pride (Barnes, Hayter & Hay, 1999).
- *Self-efficacy*, the fourth component of self-identity, is defined as a person's belief in his/her capabilities to meet situational demands or tasks (Twigger-Ross and Uzzell, 1996).

### **3.3.2 Employability: Age, education and attitude to working elsewhere**

Resource users can become dependent on a resource because they lack transferable skills, which allow them to take advantage of other employment opportunities within the region. A person's age, attitude to working elsewhere and level of education can be an indicator of his/her level of employability (Barnes, Hayter and Hay, 1999; King and Hood, 1999; Rickson *et al.*, 1988). People living and working in communities that are dependent on resources typically have few transferable skills. As a result they become 'locked' into their occupation (Humphrey, 1994; Reed, 1999).

This is a common state of affairs because resource users often are determined to follow career goals within their chosen areas. Such people leave the education system early, secure apprenticeships and take advantage of their age and economic employability (Marsh and Williamson, 2001). However, should employment options within the industry become limited, these people are severely disadvantaged in the

employment market (Freudenburg, 1992; Marsh and Williamson, 2001; Rickson *et al.*, 1988).

### **3.3.3 Attachment to place**

Mining normally operates productively for a long period of time at one particular place. The result is that people reside in a particular area for a very long time and also form an attachment to that area. This lead to the mining industry attracting job seekers from within South Africa, as well as from across South African borders. Amongst other factors, this tendency explains why to date job seekers keep considering mining as the industry for which to work. Therefore mining areas as such still attract a significant amount of employment seekers. In addition, mineral rich areas are regarded as regions where people can achieve a better life. As a consequence, people are drawn to live and to be associated with these areas that surround mining endeavours.

Marshall *et al.* (2007) suggest that the level of attachment of people to a resource in their communities may be an indicator of their degree of willingness and ability to search for employment elsewhere or to diversify locally. Attachment to place is a concept that describes the level of connection that individuals have with their physical community (Adger *et al.*, 2002). These terms outline the identity created around the township, the sense of pride associated with belonging to the town, as well as the strong friendship bonds and network links that exist within such a community (Bolton, 1992; Flora, 1998; Gustafson, 2001; Stedman, 1999). The concept of attachment to a place provides insight into the requirements for social well-being and quality of life and is a useful indicator of sustainability within the community (Kelly & Adger, 2000; Stedman, 1999).

Individuals with a high level of attachment to their community can be distressed significantly at the prospect of having to move away from their town or place (Locke *et al.*, 2000). People will often prefer the stability they associate with staying in one particular community. This attitude can increase their dependency on the nearby resource (Stedman, 1999).

### **3.3.4 Financial status**

The financial status of resource users can be defined by their level of income and level of debt. This status can significantly influence people's level of dependency on a resource (Fisher, 2001; Freudenburg and Frickel, 1994; Green, 1999). Financial status determines the type of life a person can afford to lead and is mostly associated with social class. Therefore it is considered as an important aspect of people's existence in society. Community members may consider mining companies, being large employers, as a means to achieve such a financial status. The result is that people tend to depend on mining companies to sustain their way of life. This may also influence the ability of people to take risks by moving to other areas to look for employment, seeing that this could imply a measure of financial ability.

According to Humphrey (1994), Nord (1994) and Peluso *et al.* (1994), resource users with a lower financial status lack the flexibility with which to incorporate the costs of change into their working lives successfully (Humphrey, 1994).

### **3.3.5 Theoretical framework for dependency**

Mining companies are seen as providers of employment and, in some instances, as an opportunity to access better opportunities. The question that needs to be answered is: How sustainable and transferable are the employment opportunities that are created by mining companies and what impact does it have on community member's lives?

The elements of dependency should give an indication of whether initiatives of CSR actually provide skills that are transferable. In other words: Do these strategies help to build capacity in the local community? Do the CSR initiatives promote skills that can be used for growth and advancement of the individual's/receiver's life to better themselves? Or do these initiatives create some sort of dependency, where community members actually become fully reliant on the provider of skills to keep on providing the opportunities that allow the use of such skills?

Some of the negative issues associated with mining include the increased mechanisation of the industry, which negatively impacts on employment levels

(Mitchell, 1999). The ability of the community and the mining sector to deal with mechanisation will give an indication of the type of occupations, skills and employment opportunities mining companies can provide and how it impacts on the local communities.

### **3.4 Empowerment**

The theory of empowerment may be traced back originally to the Brazilian humanitarian and educator, Freire (1973). He suggested a plan to liberate the oppressed people throughout the world through education. The concept of empowerment is conceived of in terms of the notion of power, because empowerment is closely related to changing power: gaining, expending, diminishing, or losing it (Page and Czuba, 1999). Traditionally, power was understood as an isolated entity. It was also perceived in terms of a zero sum total, as power was usually possessed and exerted at the expense of others (Lips, 1991; Weber, 1946). Recently, power has been understood as a shared initiative. The reason is that power actually can strengthen while being shared with others (Kreisburg, 1992).

Shared power is defined as “a process that occurs in relationships, that gives us the possibility of empowerment. It is conceived as a multi-dimensional social process that helps people gain control over their lives” (Page and Czuba, 1999: 25).

Empowerment implies a situation where people are not only concerned about personal control and power, but actually realize that more can be achieved by working together and using shared power to impact positively on their future. When change within a community or society occurs, whether through gradual social change or through a revolution, it is normally as the result of shared power. Shared power cannot exist without individual powers being present. Therefore collective empowerment and individual empowerment are interrelated.

Each aspect of empowerment has its own set of components.

- In personal empowerment the following components are to be found: competence, self-determination, and impact.

- Collective empowerment entails the following aspects: collective belonging, involvement in the community, control over organisations in the community, as well as capacity building within the community (Marshall *et al.*, 2007).

Boehm and Staples (2004) emphasised that the goal of individual empowerment is to achieve a state of liberation strong enough to impact on one's management of power in life, in the community, and in society at large. The goal of collective empowerment is to establish community building, so that members of a given community can experience a sense of freedom, belonging, and participation in power that can lead to constructive social change.

Empowerment creates the capacity for effective individual and community self-management (Korten, 1987). It turns people into subjects (agents) who act on their environment, not objects (recipients) acted upon by the environment. The ultimate goal of individual and group empowerment, in the positive-sum view, is to bring everyone's power to the table in terms of collaborative action for the common good (Abdullah, 1995; Lappe and DuBois, 1994; Zohar and Marshall, 1994).

### **3.4.1 Theoretical framework for empowerment**

The elements of empowerment to be considered are collective empowerment and more specifically community building. In most cases the impact of CSR is measured in terms of community building and development initiatives. These include CSI initiatives from an infrastructural, educational or entrepreneurial perspective. Community building is what CSR should aim to deliver and in most cases this is what the CSR strategies are measured against (Jenkins and Obara, 2008).

Community development on the material level is necessary, but not sufficient without a complementary development of human consciousness. Community development should therefore provide empowerment on the multiple dimensions of material, rational, and spiritual life (King and George, 1987).

There are instances where development also entails empowerment. This happens when a rural or disadvantaged community is given access to basic amenities that the

inhabitants did not have before, such as access to clean water, improved roads or proper schools. Such empowerment attends to the basic needs of the community that would allow the community to develop (Jenkins and Obara, 2008).

Frynas (2005) refers to the failure of companies to involve the beneficiaries of CSR strategies as one of the key examples why CSR fails. He asserts that communities need to be given the opportunity to help themselves through ongoing participation in community development projects, rather than being recipients of top-down gifts from the company.

The literature on economic development within communities refers to this synthesis of individual and collective change as socio-economic 'empowerment'. The material aspects of economic development within communities can be diverse, such as developing employment options, businesses, investment, income and productivity. All of these aspects comprise the visible tip of an extremely deep underlying iceberg that is composed of individual change and community building (Staples, 1990).

### **3.5 Conclusion**

The theoretical framework and elements of dependency and empowerment that was outlined above are the bases the researcher employed to evaluate the literature review, assess the cases study and integrate the responses from the semi-structured interview. This has allowed a more structured analysis of the responses and literature and helped the researcher to draw certain conclusions and make applicable recommendations on the topic under discussion.

This concludes Chapter 3, which dealt with the theoretical framework of the study. The next chapter will focus on the findings of the empirical study. It will also expound the research methodology that was used in achieving the objectives of this study.

# **CHAPTER 4**

## **RESEARCH FINDINGS**

### **4.1 Introduction**

In this chapter the research findings are discussed and analysed. All findings presented in this chapter are derived from the data that was collected during the semi-structured interviews and from the assessment of the case study done on the Kumba Iron Ore Thabazimbi Mine.

All the responses received from the representatives of the mining company supported a perception that past approaches to CSR created dependency amongst communities. The reasons for this perception were pointed out when investigating the origins of CSR. It became clear that companies undertook the CSR initiatives more from a philanthropic base. As a result mining companies' approach to CSR was more focused on giving benefits and doing things for communities rather than working in partnership with the different stakeholders within the local communities.

Another key issue that was common in responses from the mining representatives concerned the way in which the CSR strategies started within the mining company. At that stage it was seen more in terms of philanthropy that simultaneously gave the mining industry a competitive advantage. This strategy provided opportunities for marketing and to build relations with communities situated around the mine.

Some of the mining company representatives did acknowledge that to some extent CSR has created empowerment. The representatives mentioned the following aspects of empowerment: access to basic needs, such as schools and clinics, as well increased awareness of communities about their actual needs.

## 4.2 Experiences and perceptions of CSR from semi-structured interviews

### 4.2.1 Head Office representatives

When explaining the company's approach to the CSR strategy, the representatives outlined the journey that the company has embarked on in terms CSR – which began more as a philanthropic gesture. The first Head Office representative explained that the company has always been involved in Corporate Social Responsibility (CSR) but these strategies were seen more in terms of Corporate Social Investment (CSI). This meant the company invested in communities not because it was the company's responsibility but because the company wanted to. The representative explained his viewpoint:

*We have always done Corporate Social Responsibility. It started off as Corporate Social Investment, which are things that we did from the goodness of our hearts ... rather than it being a business imperative.*

This approach to CSR was corroborated by the second representative from Head Office, who acknowledged that the mine's approach to CSR in the past was more paternal:

*We would go and assess what we thought the community needed to the point where there wouldn't even be engagement with the community. It would be our view that we needed a sports field, a school, a hospital and these facilities were built.*

The representative gave the following example as further evidence of the mines' approach to community projects:

*We got involved in a project to build a school within the community without involving the Department of Education and on completion of the project we experienced challenges when handing over the school to the Department of Education and getting the school to operate. And this was mainly because we did not involve the Department of Education and as such they did not have capacity and resources to take over the running of the school.*

The first Head Office representative also referred to the type of relationship that existed between the mining companies and communities. According to this relationship mining companies had the financial advantage, which meant they had the decision-making power as well. They could choose how to spend the money as the main motive for their approach to the CSR. The representative explained:

*How it was done: it was more of companies doing on behalf of communities ... and also who controls here is the one that controls the purse.*

The representative mentioned that reflecting on past experience and on the company's approach, the outcomes has been less than empowering. He conceded that, over time, the company has created dependency on the mine amongst the community members. The first Head Office representative elaborated on this issue:

*I think in the way we have done it, it encouraged dependency and, worse still, it created self-entitlement: you are here you need to do this.*

Mining companies further expressed their displeasure about the fact that whatever the community needs and wants, has become the mine's problem. Government has also subscribed to this fact – to such an extent that they do not set aside resources to provide services to such a community. The first Head Office representative pointed out:

*Government actually understands the contribution that mining companies make into their communities and as a result they redirect their funding to other areas.*

To assert the statement that CSR created dependency the representative provided a recent example whereby the mine held a meeting with the communities. The aim was to understand the kind of future that the community envisaged for themselves. The representative mentioned that during the meeting one of the community members made a statement to the following effect:

*The problem with my community (he said), is that when we need a school we go to the mine and the mine provides, when we need a clinic we go to the mine and the mine*

*provides, and the youngsters when they need jobs they go to the mine and the mine provides and everything converges on the mine doing things.*

The representatives explained that against this background the company has moved to an approach that focuses more on empowerment regarding their CSR strategy. This approach concentrates more on education, health and welfare and projects to create and enhance infrastructure.

In describing empowerment the representatives referred to ownership and building the capacity of community members to be able to do things for themselves. The first Head Office representative described this strategy as:

*A sense of ownership, not only own the problem but also own the solution.*

The second Head Office representative described empowerment as:

*Empowerment is when you meet one's own vision, you own your destiny.*

The representatives gave as the reason for such a focus as trying to encourage empowerment within communities. The first Head Office representative elaborated on his motivation:

*Our focus areas include education to break the cycle of poverty and empower communities, infrastructure for the building of roads, enterprise development and agriculture.*

The second Head Office representative also mentioned a similar focus:

*Our focus is on infrastructure, the building of roads, schools and also education, empowering the youth, community welfare projects, waste management and enterprise development.*

The representative suggested further that some CSR activities have resulted in empowerment. He referred to the establishing of basic infrastructure in the

communities, the building of schools, clinics and roads as some of the projects that have empowered the communities.

The representative mentioned one of the success stories: the mine sponsored a group of students who did not achieve sufficient matric results to be able to go to university. The mine assisted these students by giving them access to tutoring. This helped to improve their matric marks and gave them admission to universities. The representative explained that the students were very grateful and felt empowered to pursue their dreams:

*Those students were so thankful to be given a second chance to improve their results and even got bursaries to get into university.*

In terms of key success factors and best practice examples both Head Office representatives referred to the Royal Bafokeng Vision 2020. In this endeavour the community of the Royal Bafokeng Mining house has worked together with its community, the Royal Bafokeng nation, to formulate a vision on where they would want to be by 2020. The first Head Office representative highlighted the fact that the Royal Bafokeng Vision gives the young men and women of the Royal Bafokeng nation the following guarantee: if they have passed their matric and wish to study at an institution of higher learning, the Royal Bafokeng will pay for them and also provide employment on completion of their studies.

The second Head Office representative referred to the need for a common vision amongst all stakeholder groups as a key requirement to ensure that the empowerment of communities is achieved as demonstrated in the Royal Bafokeng example. The representative reiterated his point by stating that:

*The Royal Bafokeng Vision 2020 is a first attempt and a good example where a community takes charge of their future and participates in their own empowerment.*

All the representatives expressed the expectation that the community has an important role to play in their own empowerment and that they have the ability to do so. The first Head Office representative explained:

*Communities have Community Trust developed and are generating revenue from leasing the lands to the mines, and the communities are sitting with the money for years without spending it ... but when they need funding for projects they come to the mine.*

#### **4.2.2 Mine Social Representatives**

The mining company representative from Amandelbult Mine also voiced a similar response to that of the Head Office representative in terms of the background to the implementing of mining CSR strategies, which entailed a more philanthropic approach at the beginning. The representative gave the following information on the philanthropic approach:

*When you start mining it is normally in very rural and poor communities with very little or no infrastructure, and as a result the company would do some good by building a clinic and giving houses to communities.*

The representative explained that this approach led to the communities being dependent on the mining company to provide basic needs and services. The representative described dependency as:

*When a community is totally dependent on the mining company to provide basic needs, more like a parent and child relationship where a child is dependent on the parent to survive.*

The representative from the Kumba Thabazimbi Mine added to this issue by mentioning that in the past the CSI also functioned as a competitive advantage for the company. It became more of a public relations practice for the mining companies, by providing the mine with an opportunity to showcase all the good work it was doing for the communities. The representative explained the view on this:

*The mine would build a school for the community and when presenting the school they would take pictures with community members and publish the picture in different newspapers to showcase the good work that they do within communities – which led to CSR being seen of a Public Relations event.*

The representative from the Kumba Thabazimbi Mine described dependency as:

*Dependency is when a community is dependent on the mining company to provide for their needs and to do things on their behalf.*

Both representatives continued by mentioning that over time the mining company has moved and changed focus to act more empowering. The representative from Thabazimbi also pointed out a few of the same focus areas that other representatives mentioned:

*Our focus is education, health, infrastructure with more focus on education and enterprise development.*

The representative from Amandelbult Mine also provided an example whereby community members had shown appreciation for the opportunities and benefits they received from participating with the mine on an enterprise development project, but explained that this type of feedback is normally on a very limited scale.

*Only one or two guys came back to show appreciation. In some instances, I have heard of individuals that went on to set up their own businesses from working with us.*

The representative from Amandelbult went on to explain that he believed communities have what it takes to empower themselves:

*Communities have the power to mobilise for better services, and can do more to develop their own communities.*

## **4.2 Conclusion**

All of the responses received from interviews acknowledged that the CSR initiatives have led to increased dependency, rather than having encouraged empowerment. There were more examples of the types of dependency created amongst the different stakeholder groups. The participants highlighted some of the good work that resulted from CSR programmes, even though at times it was not as widely visible. The good work mentioned by mining company representatives corresponds with facts which are

covered in the Kumba Mine reports. However, in contrast to this, very little is mentioned in the reports of the challenges and negative impacts of CSR programmes on the communities.

The findings are analysed in the next chapter to highlight and discuss the themes that emerged from the data, as well as the links of these themes to the theoretical framework for dependency and empowerment.

# CHAPTER 5

## DATA ANALYSIS

### 5.1 Introduction

This chapter provides the data analysis from the research findings on the experiences and perceptions of mining companies about CSR in the Thabazimbi Municipality. The research findings were analysed in order to identify emerging themes that related to elements of dependency and empowerment, and to link the themes to the theoretical framework that was expounded in chapter three. Drawing from the theoretical framework, themes for dependency include the following: attachment to occupation, employability, attachment to place and financial status. Themes for collective empowerment are as follows: collective belonging, involvement in the community, control over organization in the community, and community building. For personal empowerment the themes are: meaning, competence, self-determination, and impact.

This chapter will integrate the findings of the literature review with the actual results of the empirical study. The focus will be structured according to elements of dependency and empowerment, as well as the evidence that emerged in support or contrasts to the elements.

### 5.2 Dependency

The representatives from the mining company acknowledged that there was some dependency created by the CSR initiatives. According to the representatives, the dependency came as a result of a prior approach to CSR and CSI, which was philanthropic in nature and not consultative. Mining company representatives admitted that they did not always involve communities in the design and implementation of CSR strategies. In the past the projects were done through employing consultants. This limited the transfer of skills to communities. As Frynas (2005) remarked, in most cases community development is still conducted in the form of top-down gifts from companies.

### **5.3.1 Attachment to occupation**

Representatives mentioned resource dependency as the reason why communities have become to rely almost exclusively on the mining industry in their region. There was a feeling from the mining company representatives that the consequences of resource dependency have created problems for their mines. The problem the mining companies identified was that the communities were too dependent on the mine to provide for them, when in fact they should at this time be empowered to provide for themselves. Or they should at least use some of the income they generate by leasing the land to the mine.

### **5.3.2 Attachment to place**

Two of the elements highlighted by the theoretical framework for dependency is the attachment to occupation and attachment to place. Pajak (2000), Twigger-Ross and Uzzell (1996) refer to a certain self-identity that is created as a result of working in an industry built around the extraction of resources. According to them such a self-identity consists of four principle components: distinctiveness, continuity, self-esteem and self-efficacy.

The survey that Kumba Mine undertook for its Social and Labour Plan revealed that 110 employees older than 50 years indicated Thabazimbi Municipality as their preferred retirement town, compared to only 63 who were originally sourced from the area. This may be in itself an indication of attachments that have developed over time. Stedman (1999) points out that people will often prefer the stability associated with staying on in one community, and this can increase their dependency on the nearby resource. This also creates a relationship of dependency between the mining companies and their stakeholders.

### **5.3.3 Employability: Age, Education and Attitude to Working Elsewhere**

Kumba Thabazimbi mine SLP indicated that 80% of employees that are considered to be functionally illiterate are above 50 years old. Further to this the survey undertaken for the SLP indicated that 110 of the employees older than 50 years old wanted to

retire in Thabazimbi Municipality compared to only 63 who were originally sourced from this particular municipality.

This is evident to the fact that age and education directly affect the mobility of the workforce, reduces their options in terms opportunities to secure employment elsewhere.

#### **5.3.4 Financial Status**

One of the areas of impact identified by Kumba Thabazimbi mine in their SLP as areas of impact during mine closure was loss of jobs and income. This may be mainly due to the fact that over time employees of the mine have been dependent on the mine as main source of income for sustenance. Losing their only source of income with no transferable skill and knowledge will have dire consequences for those affected. Humphrey (1994), states that resource users with a lower financial status lack the flexibility with which to successfully incorporate the costs of change into their working lives.

#### **5.4 Empowerment**

The mining representatives' description of empowerment was centred on the elements of ownership, capacity and ability to provide for one's needs, as well as to take part in solving issues of importance that impact one's life. Parpart, Rai and Staudt (2003) refer to empowerment as associated with alternative approaches to psychological or social development and the concern for local, grassroots and community-based movements and initiatives.

There was an indication of a shift towards empowerment in the information that the researcher reviewed from Kumba's reports, the Social and Labour Plan, as well as responses provided by the interviews. Kumba Iron Ore has clearly stated in their Sustainability Report the impact they would desire from their strategies. Their aim is to create and leave a positive legacy in the communities in which they operate. The Mine has shown consideration to the needs of the community and has also identified key social issues in the surrounding community through the focus areas of their CSI programmes. The focus areas identified as key societal issues for development were:

education, skills development, health and welfare, infrastructure and enterprise development. These focus areas provide key inputs in achieving individual and collective empowerment within the community.

This need was demonstrated by some of the examples provided by the mining company representatives. They gave those examples when asked about their engagement with communities and their view on a community's ability to articulate their own needs and organise themselves to seek assistance and response. Mining company representatives also acknowledged the importance of working together with all of the stakeholders to formulate a common vision as the key to true empowerment.

#### **5.4.1 Community building**

The participants mentioned the rural nature and lack of basic services in the mining areas as the reasons for the focus of CSR initiatives by mining companies, These initiatives mainly began by building roads, clinics, and schools and providing access to water and other basic needs. The main reason representatives gave for these focus areas was to empower communities by providing them with the necessary skills and tools to transform their current situation.

This shift towards empowerment was also evident in the shifting focus for CSR, as mentioned by mining company representatives, on education, health and wellness. These focus areas are of nature supposed to be empowering and to encourage community building.

#### **5.4.2 Collective belonging and involvement in the community**

Boehm and Staples (2004) describe the goal of collective empowerment to establish community building, so that members of the given community can experience a sense of freedom, belonging and power that can help bring about constructive social change. For community building to take place there needs to be active participation from members of the communities with the aim of effecting constructive social change. Mining companies as members of the community have proven their willingness to be active participants by engaging with the communities and Government. This is the

first step in the right direction for the empowerment process that should encourage constructive social change.

The Kumba Iron Employee Empowerment Scheme was also a demonstration of the mine's commitment to empowerment. This initiative was hailed a best practice and a success story within the mining environment:

*The National Union of Mineworkers welcomed the deal, saying it should be copied by other companies in the mining sector. "This is one of the best employee share ownership programmes in the mining industry. Kumba is a company with good returns for workers. We'd like to see a whole lot of mining companies follow suit and improve on the deal. The amount of money is much more than provident funds give workers" spokesman Lesiba Seshoka said ... (As quoted by Alistair Anderson, Business Day, 30 November 2011.*

## **5.5 Conclusion**

The evidence of some of the empowerment that were mediated through CSR initiatives is in itself an illustration of what can be achieved. Other factors on achieving empowerment also came to the fore. Representatives from mining companies acknowledged their inter-dependence with the communities. They also showed awareness of and recognised basic community needs. They were conscious of roles that are played by different stakeholders and their ability and power to influence CSR outcomes within the community.

For empowerment to be realised fully there needs to be willingness, participation and commitment from all of the stakeholders. They need to take responsibility for the process and to help effect the changes that will lead to constructive social change. As described by Abdullah (1995), the ultimate goal of individual and group empowerment, in the positive-sum view, is to bring everyone's power input to the table – collaborative action for the common good.

What stood out was the openness that representatives displayed during the interviews, even when it came to admitting that they were not achieving the intended objectives

and had to concede that their CSR initiatives did indeed contribute to the dependency in the community. This was evidence of a genuine commitment to see the objectives of the CSR being realised. This was also affirmed by the commitments made in the Social and Labour Plan and the company reports, as well as through the CSI projects that were mentioned in the reports. In the view of the researcher, this is the first step towards true empowerment.

The next chapter will draw certain conclusions and put forward recommendations that have been made, for future consideration and possible implementation.

# CHAPTER 6

## CONCLUSION AND RECOMMENDATIONS

### 6.1 Introduction

The research conducted through qualitative research methods investigated the expectations and perceptions of mining companies on CSR in the mining industry.

To summarise this research and the methodology:

- **Chapter 1** explained the objective of the study, set out the theoretical background, and laid out the research design.
- **Chapter 2** explored the relevant literature that could help to inform the study.
- **Chapter 3** provided a theoretical framework that was used as a reference point for a better understanding and analysis of some of the issues that was raised regarding empowerment and dependency.
- **Chapter 4** highlighted the findings by examining a number of narrative accounts as recorded from by the participants.
- **Chapter 5** discussed the findings, by drawing from the theoretical framework and the literature that were discussed in Chapter 2 and 3.

The focus of this chapter is to provide an overview of the findings, and to conclude the project by highlighting issues relating to the aims and objectives of the study. To round off the research, some recommendations will be made that are informed by the empirical study.

### 6.2 Overview of the findings

The perceptions and experiences from the recipients of CSR has to a large extent leaned more towards dependency than empowerment. Different levels and types of dependency and empowerment were indicated within all of the stakeholder groups and they linked this to their traditional role in effecting CSR.

Certain dependency elements were prominent in all of the responses from the interviewed mining representatives. These elements concerned the attachment to occupational and financial status. Such forms of dependency stem from the history of CSR, which began more as a philanthropic gesture to “give” to communities. As a result, communities became accustomed to these types of distribution programmes. Another factor contributing to these forms of dependency is the mining companies’ prior approach to the implementation process. In this approach the implementation of the CSR initiatives was run by the mining companies instead of the communities themselves. This approach did neither empower communities to manage their own development, nor encourage the transfer of skills to the communities.

The elements of empowerment were linked to the top-down provision of basic amenities, such as the building of roads, schools, clinics, as well as providing water, education, health and wellness infrastructure, which delivered basic services to the communities. The major challenge that limited the empowerment expected from these programmes was the mining companies’ initial intent and objective, as well as the design of the initiatives and their approach when implementing the CSR process.

It is evident that the operating environment, in which CSR is being implemented currently, has changed over the years. CSR is moving away from philanthropic giving, or ‘schemes’ to provide companies with a competitive advantage for marketing purposes. In the past, companies employed CSR to create the impression of good corporate citizenship and making a difference in the communities in which they operate, as well as to comply with CSR regulations. This was also evident in the changes in approach, perception and suggestions on the future CSR that the representatives from the mining company expressed. This shift in focus was affirmed further by the commitments made in Kumba’s report, as well as in their Social and Labour Plan.

The changing environment and the legislative landscape in South Africa have made CSR an integral part of doing business. Therefore these strategies require more transparency and accountability from the companies by disclosing the impacts of CSR in their communities. As mentioned in earlier chapters, the key drivers of CSR in South African mining companies are the requirements of the Mining Charter, King III and the JSE SRI Index. These requirements are also compounding the growing

demands and expectation from Government and communities for mining companies to play a more active role in helping to alleviate poverty and to address inequality and other social problems within the community.

The responsibilities of mining companies to their communities are under thorough scrutiny. This situation is reflected in companies' growing awareness of the impact of CSR, as well as the changing relationship between mining companies, communities and Government. Companies are required to show their commitment to CSR through their strategies, policies, and practices. Within the framework of globalisation, mining companies are also held accountable for their actions to a wider group of stakeholders, who include investors.

Mining companies are required to operate in a socially responsible manner. All of those companies that want to grow and compete on a global level are evaluated not only on their financial performance. They are also assessed on their environmental and social performance, as well as on the reputations they have gained while operating or have previously operated. Assessment is done through Social Responsible Indices such as the JSE SRI. As a result, businesses are changing their view and approach to CSR and the ways in which the companies engage with their key stakeholders. CSR has been elevated to an integral part of company strategies. In the light of this, companies have to be accountable for the impacts that result from their actions and operations within the community (King III Report, 2009 and JSE SRI, 2010).

### **6.3 Conclusion**

The communities' dependency on mining companies in the past was caused by the dominance of the companies as the providers, funders, drivers and implementers of CSR. The companies held the power in the form of financial status. Thus these companies had grown accustomed to acting as provider and their initiatives being needed by the various stakeholders. The companies also exploited the benefits of good publicity that came with being the provider. This behaviour led to the dubious legacy that CSR led more to dependency, rather than encouraging empowerment.

This is also evident in the research and literature on CSR, which focuses on the disparities within mining communities. These disparities are mostly a result of the

lack of effectiveness of mining CSR programmes, poor governance by Government, as well as poverty and destruction that were created or left behind by mining companies that ceased to operate.

Given the changing landscape of the CSR environment, mining companies have begun to change their approach to CSR. They have done this by engaging with relevant stakeholders on CSR projects, and by acknowledging the power and knowledge that the communities and Government have on these matters. Such a changed approach is a good step in the right direction. It will help provide an environment that allows for difficult conversations with stakeholders, as well as for community challenges and issues to be resolved. Empowerment can only become a reality when relevant stakeholders come together and co-operate for a common purpose.

#### **6.4 Recommendations**

The focus on and expectations of CSR will increase in times to come. Therefore, for CSR initiatives to deliver on the expectations, all mining companies will need to evaluate their approach to CSR. Mining companies will need to look at strategies and approaches that would assist them in ensuring that objectives of CSR are achieved and at the same time opportunities for empowerment created.

The CSI Handbook noted that most companies focus only on the financial side of the CSI. As a result, issues such as return on investment (impact), risk analysis and sustainability are seldom discussed when making decisions around social commitments. The Handbook also highlights the fact that the reporting process for CSI is largely activity based. In addition measures for accountability are focused on the outputs/deliverables level only. Reports tend to answer the question: “Did you spend the money on the activities you said you would?” rather than: “What difference did the money make to the people for whom it was intended?” (Dialogue: 2011: 63).

Kim Polley, the Director of Africa-practice, wrote a thoughtful leading article on Corporate Social Responsibility. In the article she mentioned the following:

*There is room for improvement in how we all perceive corporate social responsibility (CSR). Cynicism often prevents the private sector and society from achieving a win-*

*win scenario. CSR should not just be seen as charitable giving by companies, neither should it be seen as purely a marketing and PR tool. If businesses change how they view CSR and how the population at large views their motivation behind the initiatives, they will have taken the first step to ensuring the community development projects funded by companies are sustainable and have a truly positive impact (Polley, 2009).*

CSR needs to graduate from philanthropic ‘hand-outs to being part of how companies do business and how they formulate company strategies. Mining companies ensure return on investment from their operations and resources and also report on overall business performance. In the same sense they also need to ensure that CSR deliver on the objectives that was intended. Businesses need to start measuring the impacts of CSR initiatives and to take responsibility for their role in the outcome – whether they cultivate dependency or encourage empowerment.

All stakeholders have a role to play in ensuring that CSR delivers on its intended objectives and results to help empower communities and enhance society as a whole. Businesses cannot be expected to deliver empowerment by themselves. Every stakeholder must take responsibility for its own role to make sure that CSR delivers on empowerment. Communities need to grow and should learn to provide for themselves. They need to work towards self-sufficiency and empowerment.

At the same time Government needs to create an empowering environment for companies, NGOs and communities to operate in and also be the catalyst for change. NGOs have a lot to offer Government, communities and companies through the experience and skills they have acquired from working with different stakeholders and from the challenges and dynamics these community organisations have had to overcome.

Much research on CSR has focused on basically three areas: shortcomings of mining companies, the needs and demands of the communities, and the inability of Government to deliver services to the community. Very little research does focus on the best practice model to deal with resource dependency and the forming of

partnerships to encourage sustainable empowerment in communities. This being so, the following areas are suggested for further research:

- best practice partnership models for mining companies and their stakeholders;
- impact assessment for CSR;
- alternative livelihood for mining communities;
- planning for mine closure models done by communities for communities.

Kim Polley suggested the following requirements for CSR to be effective:

*Most importantly, CSR needs to be seen as something that benefits the company's financial bottom line, going beyond marketing and PR ... companies should invest in CSR in order to make more money, while at the same time helping poorer people generate wealth.*

This recommendation by Polley (2009) provides an opportunity for mining companies to use the skills and expertise they already possess to ensure returns on investments. Mining companies should work with their stakeholders to ensure the returns on the investments that the companies are making in CSR projects. These returns should encourage the empowerment and long-term sustainability of the communities that surround the mines.

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## ANNEXURE A

### MINI-DISSERTATION RESEARCH: ONE-ON-ONE INTERVIEW

Dear ...

As previously discussed, I am currently studying for a Master's degree at North West University. I am conducting a research study as part of the degree requirements and I would like to invite you to participate in an interview which will take an hour at the most. My research topic is *“Experiences and Perceptions of Mining CSR in Thabazimbi Municipality: Dependency and Empowerment.”*

The aim of the research was to understand the experiences and challenges of Corporate Social Responsibility (CSR) in Thabazimbi and the implications and consequences for communities in terms of dependency and empowerment. The research, through an evidence-based approach, aims to uncover what the expectations and perceptions of mining companies on CSR.

You are being invited to take part in this research because I feel that your experience in Corporate Social Responsibility and Sustainable Development in mining companies can contribute much to my understanding and knowledge of what the legacy of CSR programmes is and can provide insight on the expectations and perceptions of mining companies.

The interview will be recorded so that I can accurately reflect on what is discussed. The tapes will only be reviewed by members of the research team who will transcribe and analyse them. The tapes will then be destroyed.

Information obtained in this study is strictly confidential. All data will be secured in a locked filing cabinet. Your name will not be used in the reporting of information without receiving prior consent from yourself.

You do not have to answer any questions that you do not wish to. Although you probably will not benefit directly from participating in this study, we hope that others

in the field of CSR and the community/society in general will benefit. The knowledge that we get from this research will also be shared with you.

**ANNEXURE B**  
**INTERVIEW SCHEDULE**

<b>Title and company</b>	<b>Purpose in research</b>	<b>Status of interview</b>	<b>No. of people</b>
Head office representative – Anglo Platinum	Manages the development of CSR strategy for the company.	Completed.	1
CED Manager – Anglo Platinum Tumela Mine (Thabazimbi)	Responsible for the implementation of CSR strategy for the mine.	Completed.	1
Sustainable Development Manager – Anglo Platinum	Manages and develops CSR strategy for the company.	Completed.	1
Sustainable Development Manager – Kumba Iron Ore Thabazimbi Mine	Responsible for the implementation of CSR strategy for mine.	Completed.	1

## ANNEXURE C

### INTERVIEW QUESTIONS

- Please give your full names, name of institution you work for and your position and role in the organisation.
- How long have you been in your current department or position?
- What is the approach of your company towards CSR? What informs your approach?
- What are the principles behind the CSR objectives of the organisation?
- Does the organisation collaborate with other organisations in the strategic planning for CSR?
- What are the expected outcomes of the strategy:
  - For the company?
  - For the government?
  - For the communities and other stakeholders?
- How is the organisation's CSR strategy translated into action?
- What is your role in this process?
- At what stage is the community informed of your strategy?
- Who in the community is involved?
- How are community members involved at this stage?
- What do you think about involving community members at this stage?
- To what extent does your CSR strategy go beyond legislation?
- In what way do you go beyond legislation?
- How do you go about conceiving the CSI projects and activities?
- How do you get information about the needs of the community?
- Who do you consult with?
- How do you consult with them?
- How do you consult community members?
- Who in the communities do you consult when setting up CSI projects?
- Do you think your organisation and the community members have the same expectations of the outcomes?
- How do you prioritise the needs of community members?

- What type of projects have you undertaken under the SLP requirements?
- What influenced your choice of projects?
- How are community members involved in the projects' choice?
- What community strengths are the projects tapping on?
- What community problems are the projects attempting to alleviate?