Institutionalising Corporate Social Responsibility

A Comparative Analysis of IPIECA and the ICMM

By

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Executive Summary

This study provides an analysis of a sector level approach to the institutionalisation and evolution of Corporate Social Responsibility (CSR). It uses the lens of Institutional Theory to observe the approach of two sectors of the extractive industries - namely Mining & Metals and Oil & Gas. This research creates a conceptual framework that seeks to analyse the role of industry associations in the development and diffusion of CSR within the two sectors. Both sectors are similar in that they are deemed "high impact" in terms of their economic, social and environmental impact, and both have faced high levels of scrutiny and challenges to their legitimacy. However, each sector has taken quite distinct approaches in responding to these issues. This research focuses on the role of industry associations in shaping these responses. In so doing it seeks to identify commonalities, differences and recommended improvements.

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Acknowledgements:

Digging (excerpts) by Seamus Heaney

Between my finger and my thumb
The squat pen rests; snug as a gun.

Under my window, a clean rasping sound
When the spade sinks into gravelly ground:
My father, digging. I look down.....

By God, the old man could handle a spade.
Just like his old man
My grandfather cut more turf in a day
Than any other man on Toner's bog.....

Between my finger and my thumb
The squat pen rests.
I'll dig with it.

I wish to acknowledge the dedication of my wife Sorcha who inspired, cajoled and where necessary pushed me through this thesis and indeed my entire MBA. Without her help and sacrifice you would not be reading this. I also wish to acknowledge my parents, Paddy and Teresa, who gave me and all their children opportunities that they never had. Their belief in the value of education put me on a path to lifelong learning. While I 'oft' stumbled on that path and once or twice fell, I am eternally grateful. I hope I can infuse a love of learning in my children like my parents have done for me.

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Finally I dedicate this Thesis to my two daughters Maggie and Saoirse. I hope CSR and people, like me, who work in it will succeed in handing onto them a more economically sound, environmentally safe, fair and just world.

Glossary

CSR – Corporate Social Responsibility

CC – Corporate Citizenship

ICMM – International Council on Mining and Metals

IPIECA – International Petroleum Industry Environmental Conservation Association.

MNCs – Multinational Companies

NTR – Non-Technical Risk

OGP – International Oil and Gas Producers Association

OSPAR –Oslo and Paris Conventions on dumping at sea.

QUANGO – Quasi Autonomous Non Governmental Organisation

SD – Sustainable Development

SR – Sustainability Reporting

SRI – Socially Responsible Investment

TNCs- Trans-national Companies

Chapter 1 Introduction

You see things; and you say "Why?" But I dream things that never were; and I say "Why not?"

President John F. Kennedy, quoting George Bernard Shaw, during his address to the Irish Parliament, Dublin, June 28, 1963.

1.1 Aims of the Thesis

The aim of this thesis is to broaden our understanding of the process of institutionalising CSR in the extractive industries and in particular the role of industry associations in this process. The extractive industry is deemed "high impact" in terms of its economic, social and environmental impact, and has faced high levels of scrutiny and challenges to its legitimacy. The constituent sectors and companies of the extractive industry are under huge scrutiny from the media, NGOs and political players such as national governments, political leaders and regulatory bodies. The extractive industries make up a significant element of global GDP and individual companies are powerful global institutions with significant public profiles. For this reason the extractive industries are a key arena for the institutionalisation of Corporate Social Responsibility (CSR).

CSR is a response to the growing concern of many social actors about the impacts of business on society and the environment. The general public is greatly concerned about the governance and accountability of corporate entities. By their size and the nature of their business, the extractive industries and their constituent companies have major impacts from an economic, societal and environmental perspective

(Kraemer & Van Tulder, 2009). Society has become increasingly impatient with corporations deemed to have transgressed acceptable norms. Both industries and individual companies have sought to react to this concern. Companies have generally tried to find ways to incorporate or institutionalise acceptable societal and environmental practices into their operations to allow them maintain their legitimacy. These responses have been largely reactive and often tend to come in response to a trend or an event affecting an individual company. Such reactions tend to be piecemeal but often establish a system or form that becomes an industry reaching standard or norm. The industry is often forced to react to an institutionalising process rather than create or drive the process.

The response of Shell to a series of controversies in the 1990s illustrates this process in action. The now infamous Brent Spar controversy in 1995 was an international incident in which Greenpeace targeted Shell over its plans to dispose of a decommissioned oil storage buoy at sea. Shortly afterwards, the company was hit by allegations of collusion in the Nigerian government's execution of the Ogoni activist Ken Saro Wiwa (charges the company has consistently denied). As a result of these crises, the company had to review its relationships with key stakeholders and adopted new principles (Aguilera, Ganapathi, Williams, & Rupp, 2007). This initiative from Shell has led to further initiatives that have been adopted at an industry level and indeed at a broader corporate level. However the adoption of change is not always driven at the firm level. It can happen exclusively at an industry level and sometimes institutionalisation has arisen from an NGO seeing that they could pressure one company to change and then moving up a gear

to targeting an industry. For example, Greenpeace were able to use the position of strength they gained from Brent Spar at the 1998 OSPAR conference to force a significant commitment on decommissioning methods for the entire offshore industry in the North Sea. "Following the Brent Spar controversy, the OSPAR countries reached a unanimous agreement in 1998 for the future rules for disposal of petroleum installations. The vast majority of existing offshore installations will be re-used or returned to shore for recycling or disposal (Osmundsen & Tveteras, 2000)."

How societal and environmental pressures lead to CSR becoming institutionalised at an industry level is the main focus of this paper. This thesis will investigate the lifecycle and some of the historical events of issues and events that lead to institutionalisation. In 1969 the drilling of an offshore well in Santa Barbara, California went horribly wrong and 6,000 barrels of oil spewed into the bay and seeped onto the beaches for some 30 miles. The public outcry was huge and the Nixon administration instituted a ban on offshore drilling in California that remains in place to this day. In 1965 New York's mayor pledged to banish coal from the city but in 1966 smog gripped the city and it had an air pollution crisis. Within two years the city's biggest utility, Consolidated Edison, had switched from coal to oil. In 1967 the clean air bill was passed in the US Senate and in 1970 federal legislation provided for the precursor of what we now know today as environmental impact statements. Furthermore the first Earth Day was held that year and one hundred thousand people marched through Manhattan to raise awareness of the pressures mankind was putting on the planet (Yergin, 2009). Different events and different reactions lead

to the institutionalisation of CSR in different forms. However, politics and consumer preference often co-exist for the extractive industries. NGO campaigns and government pressure are co-cyclical and can either lead to incremental change or trigger large discontinuous shifts. In the example of New York, a combination of the mayor, the smog crisis, protests, Earth Day, customer preference change and the introduction of environmental impact statements all helped to change Consolidated Edison's behaviour. This case illustrates a cycle that will be expanded on in this research. However it should be noted that not every case has a 'successful' outcome or is as chronologically straightforward. In some cases, CSR responses are piecemeal and fractured. This raises the question of what is it that enables or drives institutionalisation? And what are different forms that institutionalisation can take and how do these affect outcomes?

The extractive industries, and especially its two largest sectors, Oil & Gas and Mining & Metals, are among the vanguard in dealing with CSR. The recent response of the top nine international oil companies through IPIECA and OGP in creating a Joint Industry taskforce for offshore drilling safety post the BP Macondo accident in 2010 or the creation of the Kimberley Process by De Beers and other diamond industry actors following the outcry over so-called blood diamonds in the early 2000s are examples of industry level reactions to CSR issues. Individual reactions to CSR issues have also been common and indeed have been ongoing. Very often the cycle is that a company will react first of all to a disaster and work to save itself from bankruptcy or being damaged. BP has been in such a mode since the Macondo incident in 2010 and Union Carbide did so after the Bhopal disaster in 1984.

Thereafter if other companies feel that the incident has undermined public confidence in the industry as a whole, an industry body or initiative is established to co-ordinate a broader response. In most cases that industry body will look specifically at the issue that has arisen. In the case of the Macondo spill, two industry bodies were established. The first, the Marine Well Containment Company, was intended to help contain loss of control of oil wells in the deepwater Gulf of Mexico only. The geographical limit placed on it shows the level of constraint the industry places on CSR responses even in the face of a crisis that threatens its legitimacy. The second, the Subsea Well Response Project, had a more global reach but its work was only completed in March 2013, almost three years after the incident occurred. Critics of the response of industry, its sectors and companies complain that most industry initiatives' are voluntary, defensive and are not widely diffused.

The reaction of industries and firms to CSR issues dictates the form and pace of institutionalisation. History plays a significant role in understanding the industry and individual company approaches. The institutionalisation of CSR is also being examined more frequently in academic research as the interaction of CSR within political spheres is better understood (Brammer, Jackson, & Matten, 2012)

This thesis is being written as an academic research piece for two reasons. First, the manner in which different extractive industry sectors have approached the growing phenomena of CSR is interesting to this author as his professional career deals with CSR in the Oil & Gas sector. Second, analysis of CSR through the lens of Institutional Theory

is an emerging academic area of interest (Brammer, Jackson, & Matten, 2012) .

This thesis will develop a theoretical framework to analyse how the Oil & Gas sector's approach to CSR compares with the Mining & Metals sector. This framework will be developed using Institutional Theory as a lens to better understand how both industry sectors are seeking to be a more responsible business and what is shaping this change. This framework will help to understand how behaviours, norms, and standards of responsibility have evolved within the two sectors.

As it has evolved, CSR has become more integrated into political and global power structures. It is becoming a central focus of institutions and in some cases can itself be thought of as an institution. Precisely what an institution is will be explored in greater detail in the literature review. Nobel economics winner Douglass C North (1991) put it best when he said "Institutions are the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction." While this is viewing Institutional Theory through the lens of an economist, it gives a good brief overview of the theory. CSR is ultimately changing or attempting to change many of the rules of the game and this makes Institutional Theory a useful lens through which to analyse it.

The central aim of this thesis is to gain an in-depth insight into the approaches to CSR of the two major sectors in the extractive industries, Mining & Metals and Oil & Gas. In particular, it seeks to compare and

contrast the two industry's responses to demands for responsible business practice, examining whether these sectors have taken a strategic approach or whether their responses have evolved in a more ad hoc fashion.

This paper will also seek to take an in-depth look at the speed, diffusion and depth of industry responses by looking at how embedded norms, behaviours and standards have become. This is not only to understand how institutionalised CSR is within the industries but also to understand the depth and breadth of that institutionalisation. What the research seeks to determine is the levels of institutionalisation of CSR within these sectors. The levels of institutionalisation will focus on how widespread CSR responses are within the sectors, how embedded industry level co-operation is and how visible and recognised these practices are. It will also seek to determine how effective or impactful these responses have been.

To compare the two sectors, this project uses a case study approach and looks at how CSR issues are addressed in each industry sector. From the research it should be clear how effective the approaches have been. Another outcome of this research will be to highlight which factors or actors shape the nature of collective response. It will also highlight the factors that drive embeddedness and adoption.

Primarily this research will develop a conceptual framework that is built from a review of the relevant areas of Institutional Theory and CSR. Using the comparative case study approach the project seeks to

place the two industry sectors in the context of an evolving and quickly changing world.

Issues such as blood diamonds in the mining industry or Arctic exploration for the oil and gas industry are recent examples. Central to CSR is institutional change be it on human rights, corruption and poverty in the case of conflict minerals or the environment in the case of Arctic drilling. Similarly, for industries and corporations, institutional stability is also a priority, as things like stable political regimes, clear property rights and well-functioning legal systems are critical enablers of economic activity. Most of the tensions between the corporate world and NGOs are played out within countries, international organisations or the media, all of whom are institutions experiencing their own process of unprecedented change.

CSR is an arena that has been described as being in its embryonic phase from an academic perspective (Crane, McWilliams, Matten, Moon, & Siegel, 2009).This paper will deal with the emergence of CSR in greater detail in the chapter on Literature review. It will also consider collective versus individualistic responses to CSR. This paper will seek to analyse these differences of approach as well as CSR motivations and drivers. Finally, it will examine where the industry sectors are different the reasons for these differences.

1.2 Definition of CSR

The definition of Corporate Social Responsibility is the source of huge debate (Crane, McWilliams, Matten, Moon, & Siegel, 2009) it is also a term that companies in the extractive industries do not generally

favour when referring to issues that are Societal, Environmental or Governance related. In the extractive industries as with elsewhere in business different labels are used to describe CSR such as corporate citizenship, sustainable development, business/corporate social performance, and corporate responsibility (Crane, McWilliams, Matten, Moon, & Siegel, 2009). These are used to describe some or all of the areas that are commonly referred to in this project as Corporate Social Responsibility (CSR). Within the literature review this paper will look at this in greater detail. The definition of CSR remains a contestable topic however; it is accepted as being institutionalised particularly in Global companies (Bondy, Moon, & Matten, 2012).

The last decade has seen the subject of CSR raised as a major area of management study. These studies concentrate on looking into the conflicts and issues that are arising between society and business. CSR is seen as important due to the interwoven nature of business and society (Wood, 1991).

1.3 Research Question

The key research question of this thesis is:

What are the roles of industry associations in developing CSR codes or norms in the extractive industries?

The main objectives of this work are to:

Analyse the similarities and differences between IPIECA and ICMM, the CSR associations of Oil & Gas and Mining & Metals industries respectively;

Assess the role of industry associations in the process of developing codes and standards at sector level, and how these are subsequently adopted and institutionalised by companies;

Assess the implications of the approaches taken by ICMM and IPIECA to promoting codes and standards of responsible business practice within their respective industries.

Chapter 2 Industry Overview

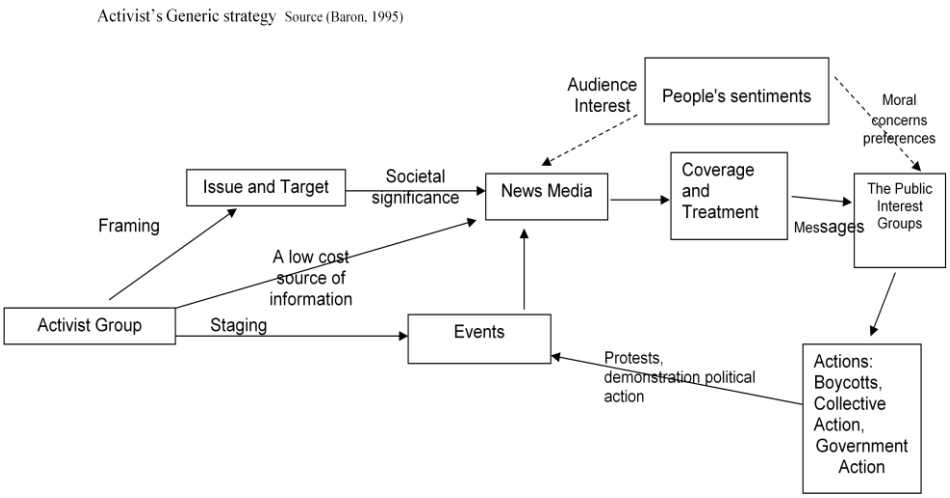
2.1 Extractives Industry

It is important to define the two sectors that will be used for the case studies. The Oil & Gas and Mining & Metals sectors are crucial to the functioning of the global economy. They are the two major sub sectors of the extractives industry. Oil and mining are typically considered the main constituents of extractive industry, although quarrying and in some cases forestry or logging are sometimes included as part of this broad industry group. The industry sectors of interest in this thesis are interwoven with every aspect of modern society and are particular focuses of conflict. This conflict arises due to the significant social, environmental and economic impacts associated with these industries. They are also industries with huge reputational problems and have been the focus of a number of high profile public controversies. These two gigantic sectors, by providing the key raw materials for many of the key elements of commerce and modern living, are a fascinating study that brings in political, sociological and organisational issues.

In the opinion of many NGOs and activists, the extractives industry is a key battleground for CSR (Kraemer & Van Tulder, 2009). Society and in particular the arena known as private politics (Baron, 1995), consisting mainly of political action such as boycotts and protests led by NGOs, communities and pressure groups, are placing strenuous demands on the extractive industries and their leading companies to run their businesses in a responsible manner. The concentration by NGOs on these two sectors means that some of the world's most high

profile CSR issues are connected with both sectors. Figure 2.1 shows a typical activists' targeting strategy.

Figure 2.1 Activists Generic Strategy



(Baron, 1995)

Kraemer & Van Tulder (2009) have described extractive transnational companies who have become "icons or worst-practice cases" for critical NGOs, in particular in their home markets. De Beers became an icon for the blood diamonds campaign; Shell for the environmental (Brent Spar) and human rights movement (Nigeria); Rio Tinto for the environmental and Indigenous Peoples movement (Papua New Guinea); and Total for human rights organizations owing to its controversial involvement in Myanmar.

For sectors, increased costs and project delays associated with CSR issues are a growing source of concern. A 2008 Goldman Sachs study of 190 major projects operated by the international oil companies showed that the time for projects to come on line had doubled in the previous decade, causing significant increase in costs (Brammer, Jackson, & Matten, 2012). A confidential follow up of a subset of

those projects found that non-technical risks accounted for nearly half of the total risks faced by these companies, and those stakeholder-related risks constituted the single largest category (Ruggie, 2010).

Mining & Metals is primarily a business-to-business sector with little interaction with individual consumers. By contrast, Oil & Gas is dominated by integrated International Oil Company's which have both an upstream presence as well as a consumer brand through their downstream refining and marketing activities. The concentration of this research will be on the upstream sector of the Oil &Gas and Mining & Metals industries. Many of the CSR issues for Oil & Gas are concentrated in the upstream sector (though in downstream issues do exist and their operations are often the locations of protests about upstream activities).

Within these two sectors are some of the world's largest companies in terms of investment, sales, market capitalisation and employees. Within these large companies there are strong feelings and views on how best to respond to CSR pressures.

2.2 Definition of Mining & Metals

Mining as a sector has existed since man first sought to remove stone from the ground in the Bronze Age and it could be argued it has existed almost as long as man. While primarily focused on Upstream it stretches through the value chain from the extraction (mining) to primary and secondary processing of metals and minerals such as steel, coal, aluminium and precious metals. The industry is oligarchic in structure, with a few producers accounting for the biggest share of

the market. The Mining and Metals industry has a number of subsections, the largest of which are iron and steel, followed by aluminium. In terms of volume, over 50% is made up of iron and steel (Zacks Investment Research, 2011).

The precious metal and mineral industry consists of companies engaged in the extraction and primary processing of gold, silver, platinum, diamond, semi-precious stones, uranium and other rare minerals and ores, along with the cultivation of pearls (Zacks Investment Research, 2011).

Mining is basically concerned with three primary areas:

1. Metallic ores: those ores of the ferrous metals (iron, manganese, molybdenum, and tungsten), the base metals (copper, lead, zinc, and tin), the precious metals (gold, silver, the platinum group metals), and the radioactive minerals (uranium, thorium, and radium).
2. Non-metallic minerals (also known as industrial minerals): the nonfuel mineral ores that is not associated with the production of metals. These include phosphate, potash, halite, trona, sand, gravel, limestone, sulphur, and many others.
3. Fossil fuels (also known as mineral fuels): the organic mineral substances that can be utilised as fuels, such as coal, petroleum, natural gas, coalbed methane, gilsonite, and tar sands."

This thesis is primarily concerned with the extraction of minerals and metals for commercial reasons, which first emerged as an industry

during the 1600s when coal and metals were removed from the ground in commercial quantities by incorporated companies (Hartman & Mutmansky, 2002).

As an industry sector it is defined under the recognised Industry Classifications for Dow Jones Industry: Metals/Mining SIC 5033 Mining, NAICS 212 Mining (except Oil and Gas) Factiva, FactSet Research Systems Inc.

It could be argued that the extraction of Oil and Gas is a form of mining, but generally it is regarded as a separate sector and for the purposes of this thesis it is treated as such.

Addressing the ICMM in 2012, Mark Cutifani, the recently appointed CEO of Anglo American made the following assertion*: "When we talk about mining we need to be clear: we are talking about the most important industrial activity on the face of the planet. A bold assertion some may argue. So, let me simply allow the numbers to do the talking: Gross revenues from the sale of products from mining and quarrying were around 11.5% of global GDP in 2010. The value of services consumed to generate this GDP is estimated to be another 10% of GDP – bringing the combination of two to 21.5% of global GDP. If we then consider the contribution of the products of mining to:*

- *Agriculture – fertilizers and mechanization improving crop yields by 100% adding a further 3.5% incremental contribution to GDP.*
- *Manufacturing – steel and other products of mining provide the bulk of the materials that artisans work into the tools of modern*

society…at 50% of benefit at least a further incremental 7% contribution to global GDP.

- *Energy and utilities – a world substantially powered by the products of mining, delivering 70% of energy feedstock and an incremental 3.5% of GDP.*
- *Transport/Storage/Communications – facilitated by the products of mining and certainly a justifiable 5% incremental contribution to GDP.*
- *Other items – in terms of service activities, public administration and other items not captured, if we make a simple assumption that the products of mining are used to house people, facilitate communications and interactions and support global trade – it is not unreasonable to assert mining products support at least 15% of the contribution of these sectors to global GDP. This incremental contribution adds another 6% to the global GDP pie attributable to the products of mining.*

Correspondingly, it is my contention that mining drives more than 45% of the world's economic activity. And while am I open to debating whether the products of mining contribute to GDP in the proportions I present – the 'envelope of contribution' still exceeds any comparable industrial activity by a quantum leap." Naturally Cutifani is talking up his own industry and his contention of 45% of the world's economic activity is almost certainly a stretch. Clearly, however, without mining most of the current global production would not be possible.

For this paper to aid context and setting this author interviewed a senior non-technical risk manager in the mining industry (Cameron-Johansson, 2013) (Cameron-Johansson, 2013). She outlined some of the big ticket items facing companies in her sector including:

- OECD Guidelines
- International standards
- Government and third party interactions
- Bribery and corruption
- Engagement with stakeholders
- Free Prior and Informed Consent (FPIC) for Indigenous Peoples
- Workers rights and healthcare
- Responsible supply chain
- Capacity building
- Enterprise development
- Revenue transparency
- Taxation
- Permit

Research by McKinsey for the World Economic Forum detailed below in Figure 2.2 provides a more detailed view of these and other grouped as traditional and emerging issues.

Figure 2.2: Environmental, Social and Economic Issues Map for Mining

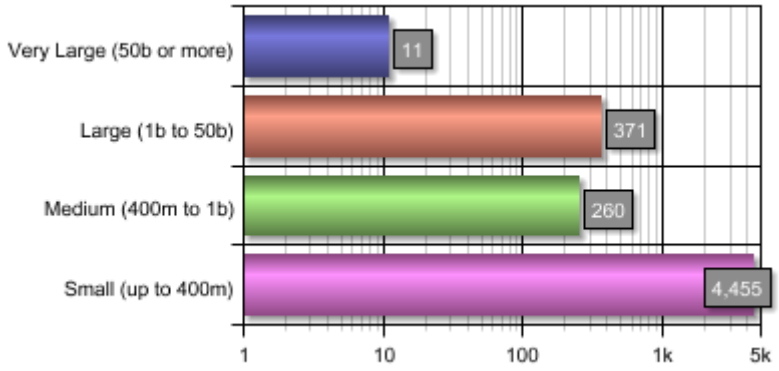
Traditional issues	Issues gaining prominence
	• Climate change (CO_2 emissions)

- Water pollution/contamination
- Air pollution (e.g., dust)
- Permanent topographical modifications
- Rehabilitation and reclamation of mining sites
- Health – providing basic healthcare for employees
- Safety – developing codes of conduct for employee safety
- Aboriginal/indigenous rights
- Corruption – more transparency
- Biodiversity (ensuring conservation throughout the mining life cycle)
- Environmental issues due to artisanal mining (e.g., illegal use of cyanide)
- Mine legacy
- Closed orphan mines not been properly rehabilitated and the company no longer operates
- Poor closure practices
- Free prior informed consent (international law; however, consent difficult to obtain)
- Responsible use of water (e.g., competition of industrial vs. drinking water)
- Local economic development (e.g., sourcing, hiring)
- Community development
- Contributing to community healthcare system
- Supporting local education
- Attracting talent based on corporate reputation

Source*:* (Behrendt, et al., 2009)

To appreciate the magnitude of these issues, it is important to appreciate the sheer scale of the mining industry. The mining industry is a colossus economically. According to Factset Research Systems, see figure 2.3, there are 5,040 mining companies for which there is publically available information. This figure does not include the large number of artisanal miners and unincorporated business structures in operations as well. These are very difficult to quantify in any meaningful manner. Of the 5,040 recognised companies there are 11 with a turnover of over US$50 billion. Some 371 companies have a turnover of between US$1 billion to US$50 billion

Figure 2.3 Mining & Metals sector Breakdown by Company Size (Sales, USD)



Source: Factiva, FactSet Research Systems Inc.

2.3 Definition of Oil & Gas

The source of almost all the world's energy for transport and much of the energy needed to power day to day living was first discovered in Western Pennsylvania in 1853 by George Bissell. Historically, use of local 'rock oil' for medicinal purposes had been passed on by Native American Indians; it was also believed to have been used for burning. Likewise there is evidence in other parts of the world of the burning of oil seeps from the ground for centuries. George Bissell believed it could create illumination and set about to prove it. The industry dates its start to 1859 when Colonel Drake drilled the first well in Titusville, Pennsylvania. The growth of the industry from prospectors and entrepreneurs to organised firms was disrupted by the American Civil War1861-65. Soon after this the first major oil company, Standard Oil, was formed by John D. Rockefeller in 1870. The modern day ExxonMobil, Chevron, and parts of BP in the United States are all descendents of the companies formed from the breakup of Standard Oil in the early 20th century. Between 1870 and 1896 a number of major technological breakthroughs altered the course of the history of oil. In 1882 Edison demonstrated electricity and in 1896 Henry Ford built his first car. Combined with these events, the Baku oil fields

were opened up first by the Nobel family and then the Rothschild's. Royal Dutch discovered oil in Sumatra in 1885 and the tanker '*Murex'* sailed through the Suez Canal with a cargo of oil which marked the beginning of Shell (Yergin, 2009).

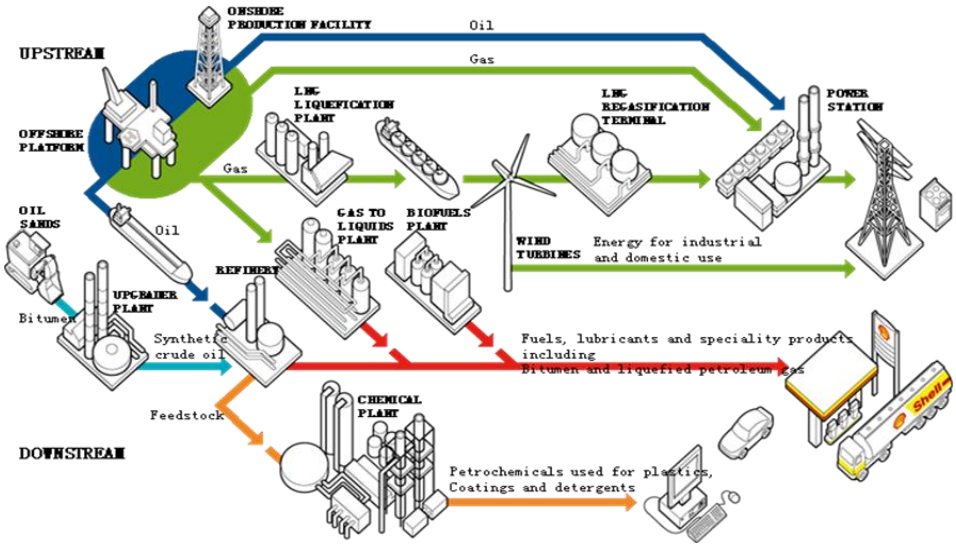
The Oil & Gas industry, as the term is used in this thesis, refers to the extraction and production of hydrocarbons and their associated products. This thesis is primarily concerned with the upstream part of this industry though its largest companies are fully integrated business with upstream exploration and production activities, midstream transport activities, and downstream refining and marketing activities, including consumer facing retail outlets.

The Oil & Gas industry is the largest component of the global energy sector. The scope of the oil and gas industry is vast and almost every aspect of life in the modern world is dependent on it (Yergin, 2009). Within the oil and gas industry are a number of sub sectors, the two most dominant sectors are National Oil Companies (NOCs) and International Oil Companies (IOCs). The investment, infrastructure, technical skills and scale make it difficult to challenge the established main players. In reporting on this sector, the five biggest IOCs – BP, Chevron, ExxonMobil, Shell and Total – are often referred to as "supermajors". The truth however is that the largest companies by virtue of production and reserves are National Oil Companies (Hoyos, 2007).

Many resource rich countries have their own NOCs. The seven largest oil companies by ownership of reserves are all NOCs: Saudi Aramco,

Russia's Gazprom, CNPC of China, NIOC of Iran, Venezuela's PDVSA, Brazil's Petrobras and Petronas of Malaysia (Hoyos, 2007). Some countries have more than one NOC. China has three significant companies as well as the aforementioned CNPC they are Sinopec and CNOOC. Russia as well as Gazprom has Rosneft, Lukoil and TNK-BP.

Figure 2.4 Integrated International Oil Company



Source: (Royal Dutch Shell, 2011)

While the external perception of the oil and gas industry is of an oligopolistic setup, this label often applies better to NOCs that enjoy a privileged position in their home market or resource holding governments that use their market power to affect oil supplies and prices (Hoyos, 2007). Although the shape and size of the oil industry and the variety of markets in which it operates is worthy of further scrutiny, for the purposes of this paper I will treat it as essentially a competitive market. By using Porters' Generic strategies model it is possible to plot the separate groups within the industry and their

particular focus (Porter, 2003). For simplicity I have looked at their broad positioning.

ExxonMobil prides itself on being the lowest cost per barrel of oil producer and therefore I have categorized them as cost focused. BP went on a spree of costs savings to attempt to emulate Exxon however this strategy may not have been as focused as Exxon's and hence may have comprised their safety (Yergin, 2009). This does not mean they sell the cheapest petrol as that tends to be supplied by major retailers who often sell the product at cost or as a loss leader. Shell and Chevron tend to seek more complex projects in harder to access regions (Yergin, 2009).

NOCs may be entirely domestically focused or operate a combination of domestic and international operations. The NOCs run the gamut from the largest companies in the world like CNPC of China and Gazprom to emerging minnows like the Ghana National Petroleum Company.

The Oil & Gas industry does face many similar issues to the Mining & Metals industry although in most parts of the world this industry traditionally has less interface with communities than mining does. The reasons for that is that production and exploration for Oil & Gas took place mainly offshore and where it was onshore tended to be in least populated or agricultural areas. Most mining was beside a community or a community grew beside it. However, with the development of Hydraulic fracturing a technology that unlocks difficult to access hydrocarbons there has been an upsurge in

exploration and production in onshore locations with proximity to communities. Many of the emerging issues are depicted below in Figure 2.6.

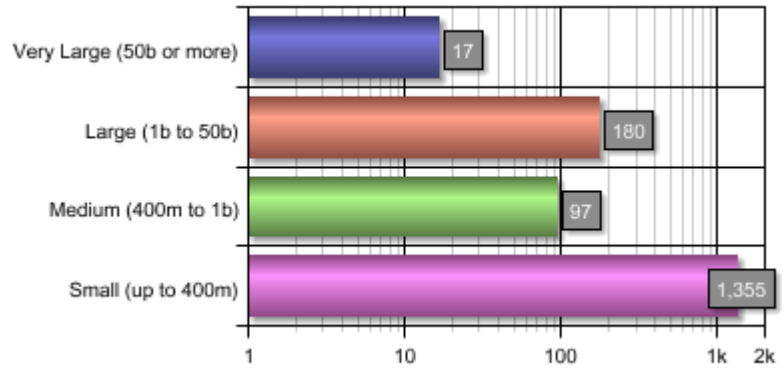
Figure 2.6 Issues facing the Oil & Gas sector

Traditional issues	Issues gaining prominence
• Water usage/discharge • Flaring • Decommissioning • Health – providing basic healthcare for employees • Safety – developing codes of conduct for employee safety • Corruption – more transparency	• Climate change (CO_2 emissions) • Arctic drilling • Hydraulic Fracturing (Fracking) • Biodiversity (marine mammals, impacts onshore) • Bunkering and oil theft • Environmental issues from oil spills and theft • Abandonment of old wells • Hydraulic fracturing • Decommissioning • Free prior informed consent (international law; however, consent difficult to obtain) • Responsible use of water (e.g., competition of industrial vs. drinking water) • Local economic development (e.g., local content and employment –Arab Spring) • Community development • Supporting local education • Attracting talent based on corporate reputation

Similar to Mining and Metals, Oil & Gas is a colossus the number of companies involved with which there is publically available information is 1,619. Seventeen companies have a turnover of over $50 billion and 180 company's turnover between $1 to $50billion.

The bulk of the 1,355 companies have a turnover of less than $400 million as can be seen in figure 2.5.

Figure 2.5 Oil Industry Breakdown by Company Size (Sales, USD)



Source: (Factiva, 2013)

Chapter 3 Literature Review

"The freedoms that people have that flow from all civic institutions fundamentally come from the success of a market system"

Lee R. Raymond CEO ExxonMobil 1999- 2005

3.1 Introduction

In this chapter the author will explain in detail why it is appropriate to analyse Corporate Social Responsibility (CSR) through the lens of institutional theory. CSR is a response to scrutiny or pressure on environmental and social issues. In general it has been seen as being a firm level response. The notion that firms "can do well by doing good" (Crane, McWilliams, Matten, Moon, & Siegel, 2009) is a concept that is now becoming greatly appealing both to business and society but largely depends on the company's motivations for CSR and the drivers for CSR. The nature of most firm level responses has been voluntary in nature. This is largely because the motivation for CSR has initially been around getting a competitive advantage. However as CSR has evolved it has entered a more political level. Brammer et al (2012) stated that "The Corporation has always been a political creation – the state granted the corporation the benefit of limited liability in order to facilitate the accumulation of capital." Companies in early existence were seen to exist for the public good and 'limited liability' was a good for society over time that limited liability has stretched into all aspects of business. The use of institutional theory to analyse CSR revolves around the concept of a broader sense of the firm and industries role in society. Corporations see themselves as separate entities and industries almost always seek self regulating voluntary codes and standards to enshrine this separation. Yet there is no denying the impact that industries and firms

have on the modern culture hence the use of terms like "McDonaldization, Starbuckization and Disneyzation (Brammer, Jackson, & Matten, 2012)." It can also be argued that the recent (post 2008) public intervention in the financial crisis through an array of state backed bailouts and other economic tools designed to save the financial industry are a reassertion of society's liability for industries. There is no denying that Corporations impact on key societal issues such as employment, unemployment, consumption, land usage, agricultural practices, air quality, water usage, general environmental quality, social inequality and many other issues (Brammer, Jackson, & Matten, 2012).

In this context it is difficult to reconcile that CSR is purely a firm level issue based on the need for a firm to do good. It brings into sharp focus the complexity of the relationship between business and society. Society enables and threatens Corporations and their industry sectors through consumption patterns and preferences. The manner in which companies interact with society has a huge bearing on this. Most interactions between society and business take place within the context of institutions. Formal institutions such as the law, government, trade unions and trade associations, like IPIECA and ICMM the focus of this paper. There are also informal institutions such as customs, religions practices and tribal (or regional) traditions. These vary from country to country and even within countries (Doh & Guay, 2006). Corporations are not passive participants in these institutions and are engaged in transactions and interactions, which are not always economic ones, with all of these institutions. This further highlights the difficulty of focussing CSR on an individual firm and

its own practices especially in the context of globalisation. These interactions and relations are best analysed through institutional theory as it allows a broader context of CSR to be viewed. This broader context helps to understand more easily the value and role of an industry association and the contexts which it operates. In essence if pitched at the right level it seeks to maintain and protect the legitimacy of the industry.

Social, environmental and economic impacts have threatened the legitimacy of entire sectors as well as individual firms. For example the climate change debate has focused on the need to replace fossil fuels with renewable energy. This argument threatens the legitimacy of coal mining in the Mining & Metals sector and the extraction of hydrocarbons but in particular oil for the Oil & Gas sector.

To maintain or in some cases to regain legitimacy there is a need to establish norms. This paper will analyse institutional theory to look at how norms are institutionalised and how legitimacy is maintained or regained through principles, guidelines, standards and norms.

While at a firm level institutionalisation is usually voluntary this paper focuses on how to introduce and induce sector level norms. Some issues are sector issues, some issues are so big that individual firms cannot address them on their own and sector level responses are required. This research will show the move from individual response to collective response. The motivation for CSR at a sector level is different –it revolves around legitimacy and becomes more political.

Institutional theory and legitimacy create better lens to analyse the sector response due to this assumption (Hodgson, 2006)

This paper looks at the development of industry norms through associations. The literature review focuses on CSR, institutional theory and legitimacy as a lens to focus on the political framing of the major CSR issues facing these industry sectors. The literature review will take a broad analysis of CSR and a more in-depth approach to the core areas of institutional theory in particular institutional change and mechanisms of institutionalisation (Larrinaga-Gonzalez, 2007).

CSR has both an ethical or moral component as well as a business component (Crane, McWilliams, Matten, Moon, & Siegel, 2009). To embed or seek to embed new ethical or moral codes in business requires institutional change across society broader than just the corporate environment. Essentially it requires changes to the rules of the game. However to use a sporting analogy it also requires that the spirit in which the rule changes are adopted by the players or actors is a positive one to ensure they become fully embedded. Formal rules need to change but also the informal customs and habits need to change too. CSR is an engine of change, the speed of that change and precisely who or what needs to change, to what to degree and where the change needs to occur are the subjects of ongoing research and debate (Crane, McWilliams, Matten, Moon, & Siegel, 2009).

This review begins from the standpoint that change is occurring and will continue to occur. Therefore institutional theory gives a broad perspective and a more universal lens to view that change.

CSR is social, political and business focussed.CSR spans a diverse range of issues which this paper will touch lightly. Each individual CSR issue facing the extractives industry could of itself constitute a full research dissertation. Its Raison d'être is to seek significant changes to the way business interacts with society. In so doing it may also be viewed as a threat to the existence of existing institutions. Parts of institutional theory look at institutional change and stability (Jepperson, 1991), as CSR is creating impacts and the focus of this thesis is on how an industry structure addresses the changes or seeks to resist and influence the change it strengthens the case for looking at institutional theory.

"Institutionalism purportedly represents a distinctive approach to the study of social, economic, and political phenomena" according to (Powell & DiMaggio, 1991). Therefore institutional theory has been chosen as the theory that provides the best theory from which to develop a theoretical framework to analyse the phenomena of CSR.

3.2 Corporate Social Responsibility

It is important to understand in greater depth what is meant by the term CSR and to determine a definition of CSR. Wood (1991) stated that "The basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes." This appropriate behaviour and its outcomes have come under even greater pressure since Donna Wood wrote this paper and central to that have been a number of major CSR issues. Since

1991 there have been a number of seminal events that rocked society's faith in the ability of companies to behave appropriately. Among the issues that have impacted on the extractive industries have been environmental and human rights issues for Shell - Brent Spar, and Nigeria, for BP the Gulf of Mexico Macondo incident, and for De Beers- blood diamonds (Kraemer & Van Tulder, 2009). With these issues came major campaigns led by NGOs, this is known as private politics (Baron, 1995) and in many ways represented the campaigning or politicised side of CSR. They also highlighted the sometimes paradoxical difficulties of home governments policing globalised companies and globalised companies operating in weak regulatory environments (Scherer & Palazzo, 2008). The role of the firm as a political player is contested (Baumann, Palazzo, & Scherer, 2006) . However, it appears especially for the extractive industries that they will increasingly have to take on a more political role as societal pressure will expect them to provide where state failure or neglect exists or is perceived to exist.

"Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society. The conditions under which men produce and exchange vary from country to country and within each country from generation to generation. Political economy, therefore, cannot be the same for all countries and for all historical epochs." Frederich Engels, [1878] infamous quote in (Streeck, 2010). It appears that Globalisation has moved the Corporate Company into the powerful political reformer that Engels envisaged the state would become. Certainly an era where Corporate Citizenship (CC) has

become a new buzzword will place Corporations as the bodies where these citizens reside as a new political force. This will mean greater discourse with other political players both the public actors like the regulators and government, and the private actors such as NGOs and communities (Baron, 1995). Many issues hold the energy and mining industries under huge scrutiny by governments, NGOs and the media. These events have made it almost impossible for business to continue without showing that it is willing to behave appropriately. Of course there remain gaps between the expectations of stakeholders and the deeds of companies.

Wood (1991) noted "that attempts to specify principles of CSR have not distinguished among three conceptually distinct though related phenomena: expectations placed on all businesses because of their roles as economic institutions, expectations placed on particular firms because of what they are and what they do, and expectations placed on managers (and others) as moral actors within the firm." In other words she speaks of legitimacy and what industry, the firm and the manager must do to win that legitimacy. This is outlined under her Principles of Corporate Social Responsibility below.

Figure 3.1 Principles of CSR

Principles of Corporate Social Responsibility
The Principle of Legitimacy: Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it.
Level of Application: Institutional based on a firm's generic obligations as a business organization.
Focus: Obligations and sanctions.

Value: Defines the institutional relationship between business and society and specifies what is expected of any business. Origin: Davis (1973)
The Principle of Public Responsibility: Businesses are responsible for outcomes related to their primary and secondary areas of involvement with society.
Level of Application: Organizational, based on a firm's specific circumstances and relationships to the environment.
Focus: Behavioural parameters for organizations.
Value: Confines a business's responsibility to those problems related to the firm's activities and interests, without specifying a too-narrow domain of possible action.
Origin: Preston & Post (1975)
The Principle of Managerial Discretion: Managers are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them, toward socially responsible outcomes.
Level of Application: Individual, based on people as actors within organizations.
Focus: Choice, opportunity, personal responsibility.
Value: Defines managers' responsibility to be moral actors and to perceive and exercise choice in the service of social responsibility.

Sources: (Carroll A. B., 1979), (Wood, 1991)

It is therefore understood from the definition above that CSR is the need for business to make a positive impact on society and the environment, this then leads onto how best can business make a positive impact or be made to make a positive impact. As a definition the Oxford Handbook offers probably the most encompassing and exact one to date:

> "CSR has become an area of significant interest to many different groups NGOs (non-governmental organisations), the media, large corporations, small and medium businesses, unions, academics, Universities , governments, supra national bodies and students are all analysing and debating the role of CSR. CSR is

> an issues driven agenda. These issues encompass broad questions about the changing relationship between business, society, and government, environmental issues, corporate governance, the social and ethical dimensions of management, globalization, stakeholder debates, shareholder and consumer activism, changing political systems and values, and the ways in which corporations can respond to new social imperatives." (Crane, McWilliams, Matten, Moon, & Siegel, 2009)

Critically there has been much debate on how beneficial CSR is to an individual business. Essentially the jury is still out on the proven day to day economic values of being a CSR centric company. Many will point to big name consumer brands that are CSR stars like Body shop and Starbucks however there are also equally examples of companies who are targeted on their poor CSR performance and they continue to be economically successful. We do know that having CSR issues arise is costly but there is mixed evidence about those who do not engage in CSR type activities and it may or may not be adversely impacted in their economic performance. This has spawned the will to establish the business case for CSR and most studies in this area look at the relationship between Corporate Social Performance and Financial Performance there are mixed views on the economic success of CSP (Orlitzky, 2008). Mainly the debate centres around the breadth of data available on Social performance versus the data available for financial performance. Financial performances of companies have been published almost as long as stock exchanges have existed. The complexity and transparency and standards have altered over the years but there are substantial data and measurement tools. Sustainability

reporting is far less uniform, scientific and while more prevalent among large Corporate companies it is still in its infancy (Unerman, Bebbington, & O'Dwyer, 2007). However CSR is not just a firm level issue and to view it as such is to limit its true scope.

Wood (1991) looked at CSR on three levels "institutional, organizational, and individual". These were explained in a different principle related to each level. Of most relevance to this paper is the principle of legitimacy, "society has the right to establish and enforce a balance of power among its institutions and to define their legitimate functions" (Wood, 1991).

This is a proscriptive, structural principle, focusing on business's obligations as a social institution, and it implies that society has available sanctions that can be used when these obligations are not met (Wood, 1991). In theory it should not be difficult to argue with this principle as ultimately those who do not do good will ultimately be taken out of existence by either the communities from which they operate, shareholders, consumers or state authorities. However, there are examples of companies continuing to exist well after they have been involved in a major issue. Union Carbide, who operated the chemical plant in Bhopal, India at the centre of what is regarded as the worst Chemical industry incident is today a subsidiary of the highly successful Dow Chemical Corporation. While Union Carbide Corporation was hugely impacted by Bhopal it did manage to stay in business and survive. BP following the Macondo incident has also been impacted but is still in business and while its company value has been impacted it has stayed in business. However, in each case a

process of institutionalisation was triggered by these events starting first of all at a firm level and then at an industry level. Industry associations were key players in developing the institutionalisation process.

Wood (1991) outlines in the Corporate Social performance Model a more robust model that looks at the Principles, processes and outcomes. This model is illustrated below in Figure 3.2

Figure 3.2 CSP Model

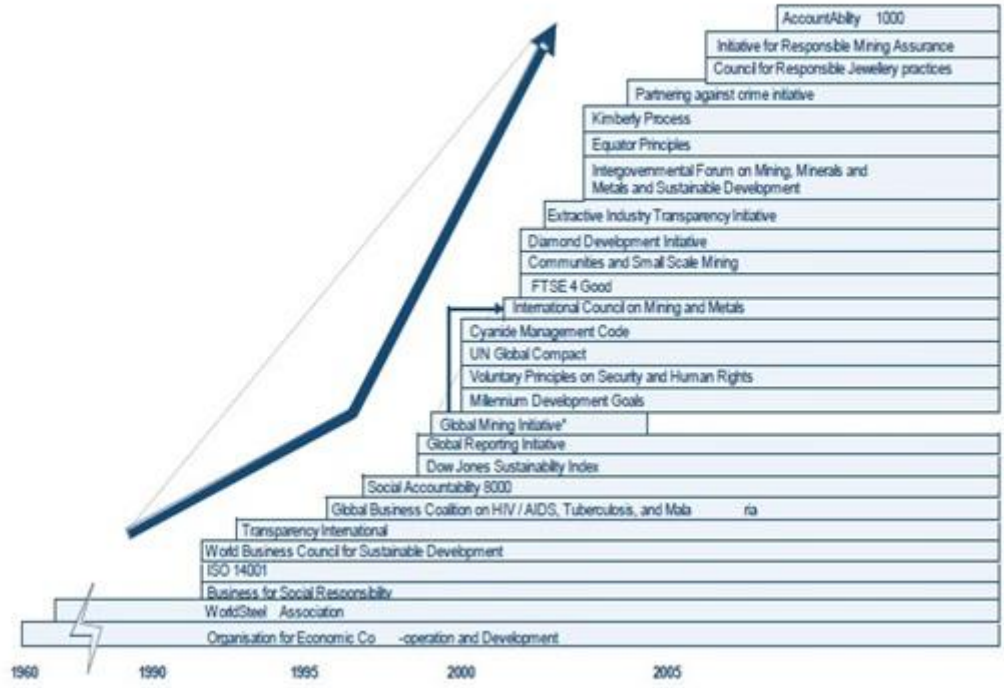
The Corporate Social Performance Model	
1. **Principles of corporate social responsibility**	
	a. Institutional principle: legitimacy
	b. Organizational principle: public responsibility
	c. Individual principle: managerial discretion
2. Processes of corporate social responsiveness	
	a. Environmental assessment.
	b. Stakeholder management
	c. Issues management
3. Outcomes of corporate behaviour	
	a. Social impacts
	b. Social programs
	c. Social policies

Source: (Wood, 1991)

Reviewing the path of principles of CSR and then arriving at the CSP model the evolution of many of the current CSR frameworks that exist in the extractive industries are evident. A chronological list of some of the major frameworks for the mining sector are listed below in Figure 3.3.Many of these are also applicable to the Oil & Gas industry

criticisms of them from the mining sector have been that they have lacked global scope (in terms of issues covered), multi-stakeholder inclusion and coverage of multiple commodities (Cameron-Johansson, 2013).

Figure 3.3 Chronology of CSR frameworks for Mining Sector

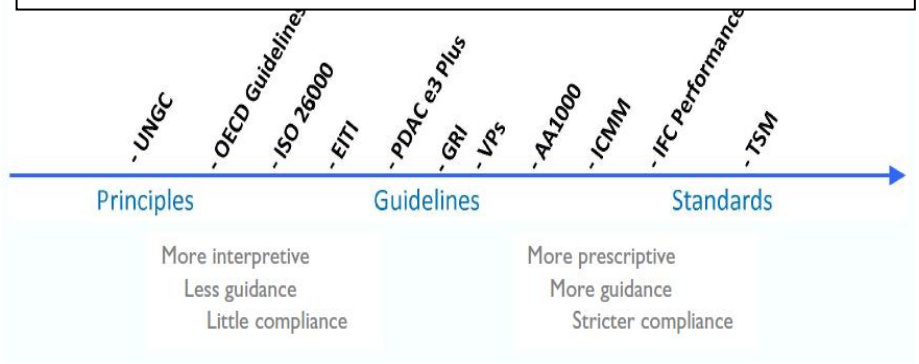


Source: (Cameron-Johansson, 2013)

It is a critical factor in framing the conceptual understanding of the institutionalisation of CSR to understand the roles of Principles, standards and guidelines. There is much debate on the effectiveness of principles, guidelines and standards to institutionalise but there is general consensus that they are the key driver of institutionalisation. It is also important in building on the Wood models to understand that the CSR frameworks exist along a continuum from Principles to Guidelines to Standards. This provides context on the CSR frameworks above and the timing of their launch. NGOs see that

standards are essential to embedding CSR and corporate companies see principles as more palatable. Research would indicate that such an approach is too simplistic and ignores the institutional settings as a context to choosing which is more applicable (Brammer, Jackson, & Matten, 2012). In other words NGOs, governments, industry and other actors should seek to contextualise the institutional setting before deciding on whether principles, guidelines or standards are most appropriate. All too often it seems that for most CSR issues there is an evolutionary flow from principles to standards on most issues.

Figure 3.4 the Principles to Standards Scale



Source (Canadian Business for Social Responsibility, 2009)

The term "frameworks" is a generic term used to describe principles, guidelines and standards. All of the different CSR frameworks presented in this document fall under one of these headings, which can be defined as follows:

Principles – A fundamental truth(s) or law as the basis of reasoning or action. A personal 'code of conduct', Not enforceable, very interpretive and generally offers little guidance.

Guidelines – A set of procedures which direct the user through the necessary steps that should be followed with respect to the given topic under consideration hence less enforceable and less prescriptive than standards.

Standards – A more authoritative model or measure, a pattern for guidance, by comparison with which the quality, excellence, correctness etc. may be determined. Some contractual obligations, guidance, and performance measurement are generally included. In an effort to better understand and evaluate the frameworks, we have situated each of them on a continuum according to the degree of prescriptive guidance and level of reporting and verification requirements. (Canadian Business for Social Responsibility, 2009)

There are a large number of CSR frameworks and these are important in the context of this paper. An analysis of these frameworks has been presented in Appendix 2 – They are analysed in the context of "voluntary standards, principles, and frameworks for companies interested in adopting internationally-recognized policies on corporate social responsibility. Some of these standards are specifically focused on the extractive industry, like the Extractive Industries Transparency Initiative, and the International Council on Mining & Metals' (ICMM) Sustainable Development Framework."

The CSR Frameworks presented here are voluntary although some are required with membership to an association, such as the International Council for Mining & Metals (ICMM) and or the Mining Association of Canada (MAC.) Public reporting on some or all of the framework's

principles is a common requirement, but some frameworks also require an element of assurance on the reported material.

Figure 3.5 CSR frameworks grouped by policy type

Principles	UN Global Compact Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises; OECD Principles of Corporate Governance Ceres Principles The Equator Principles International Standards Organization (ISO) ISO26000 Advisory Guidelines for Social Responsibility; Transparency International Business Principles for Countering Bribery; Principles for Responsible Investment (PRI), The Good Corporation Standard;
Guidelines	AccountAbility; Good Company Guidelines Carbon Disclosure Project; Extractive Industries Transparency Initiative (EITI); Global Reporting Initiative (GRI); International Federation for Human Rights (FIDH) Corporate Accountability for Human Rights Abuses; Social Accountability International; The Voluntary Principles on Security & Human Rights.
Standards	International Council on Mining & Metals (ICMM) Sustainable Development Framework

Of these only the ICMM Sustainable Development Framework is an industry derived CSR focused initiative. There are no specific Oil & Gas frameworks on a global scale. In the main these frameworks tend

to be focused on a standard, guideline or a principle. In reality most sectors in the extractive industry are dealing with all three on a variety of CSR issues. Hence the need for an industry association to deal on all fronts at once. This leads into finding a conceptual framework that can properly frame the key research question of this paper, which is seeking to take a more over arching view of institutionalisation. All the above frameworks do not allow for total analysis of a more complex relationship between the diffusion of codes

(Crane, McWilliams, Matten, Moon, & Siegel, 2009)Crane et al (2009) in their book the Oxford Handbook of CSR discuss the role of CSR as an institution. For the purposes of this paper it has been taken that CSR is an institution. There is compelling evidence in the level of reporting and other CSR activity that CSR is now embedded in large corporate entities. Due to the almost ubiquitous usage of the label CSR or inter exchanged terms that have the same meaning or indeed the usage of labels on aspects of CSR in academic, Corporate and Political life it has to be accepted that it is an institution.

Furthermore CSR is now the subject of debate in the EU on its possible inclusion in a regulatory framework and many laws in the United States in particular the Dodd-Frank Act are seen as the regulatory embedding of CSR. Very often though the institutions that are focussed on CSR embedding of codes or norms are doing so based on pressure of recent events or because of their own specific interests in a topic or philosophical backgrounds. The current pressure within the EU for greater transparency could also be a reaction to the general feeling in

the body politic that in particular the financial sector has to become more transparent about the flow of money.

Accepting that CSR is an institution is generally agreed. North determined that institutions exist due to the uncertainties involved in human interaction; they are the constraints devised to structure those interactions. North was speaking of course in relation to a purely economic model and his focus has been acknowledged as being specifically focussed on the exact manifestation of that institution and the legitimacy of rules, norms and standards.

In conclusion CSR is a difficult to define arena but its existence is unquestionable. Defining CSR in the context of firm related activities and rivers is a strap that many commentators and academics fall into. Instead it should be looked at in its totality and should best be approached in terms of being the arena in which the relationship between business and society exists. Within that arena there are individual firm to society interactions and industry to society interactions. Crucial to changing the behaviour of business to meeting the growing expectations of society is the institutionalisation of CSR. The delivery of changed behaviour and expectation management – for both business and society- is delivered through codes and norms these are achieved via CSR frameworks. A large number of frameworks exist that are seeking to institutionalise CSR within the Extractives industry. The most successful, most effective structure and best diffusion of these codes or norms is contestable. Institutional theory provides a lens to better identify these frameworks and analyse the interplay of both the firm and the industry in an institutional setting.

3.3 Institutional Theory - Definitions of Institutional Theory

Institutional theory allows us to understand how processes enable the adoption of rules, myths, and beliefs (Powell & DiMaggio, 1991). CSR is an emerging arena that is forcing change on states, business and society. The nature of that change is both formal and informal. To Jepperson (1991) institution or institutionalisation refers to the presence of authoritative rules or binding organisation. This is the core denotation of institution in general sociology that is an institution as an organised, established procedure. Of course different variations on the definition of institutions exist often depending on what social science discipline perspective you are writing about. Institutional theory is a broad theory and covers a wide remit of social science subjects - economics, sociology, political science and aspects of international relations (Parto, 2003). Language, money, law, systems of weights and measures, table manners, and firms (and other organizations) are all regarded as institutions (Hodgson, 2006).

North (1990) sees political bodies (political parties, parliaments, city councils, regulators) economic bodies (firms, trade unions, family farms, cooperatives), social bodies (churches, clubs and sports bodies) and educational bodies (schools, universities, vocational training courses) as organisations rather than institutions. However, he did subsequently explain that he did this to establish a model for studying Macro level issues "For certain purposes one can consider organizations as institutions but for the purposes that I am dealing with—looking at the macro aspects of institutional change—I do not have to; indeed, I do not want to...." (Hodgson, 2006).

At its most basic level institutional theory is a study of the interplay of rules, norms, structure and agents in a society. Institutions create the rules of the game of life in whatever defined field you work in (North, 2011). Primarily though it is an interplay between politics, history and economics. Institutions according to Nobel Economics winner Douglass C North are made up of 3 distinct areas, rules, norms and enforcement. Rules are the laws such as those passed by governments but not exclusively. Norms are the informal rules or constraints in a society. Agents are the parties that are interested in or participate in the institution. The structures of the institution are often hotly debated. Institutional theory determines how we in society deal with each other either formally or informally (DiMaggio & Powell, 1991). Nobel winner Douglass C North put it best when he said "Institutions are the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction." Changing the rules of the game in how economics activities are conducted and how their impacts are accounted for are a central thrust for the movements and NGOs that lobby and protest on many of the issues central to CSR.

Central to the diffusion of human constraints are codes, standards, rules and norms. These will set the rules of the game for all behaviours, processes, and interactions. Whether these are formal: state; industry; or supranational imposed or informal: self imposed; peer pressure; or societal is explained by understanding how change is brought about institutionalisation. The enforcement of rules on the Corporate/Business world lies at the heart of the tussle between, in

particular, the extractive industries and society at large. Many people no longer trust government to challenge the extractive industries. Industries tend to favour self regulation but increasingly scrutiny is calling into question an industry's ability to self-govern and there are huge question marks about the stringency of self imposed governance.

3.4 Institutional Change, Isomorphism and Legitimacy

A core element of institutions is the notion of change, stability and legitimacy. Stability looks at how institutionalised a process and its outcomes become (Larrinaga-Gonzalez, 2007). It recognises that even in a stable environment changes will occur through evolution. Legitimacy is a more complex issue and relates to the strong societal move away from trust in the state and old institutions such as the legal system and politics to adequately scrutinise and enforce laws on global companies. "For NGO activists, multinationals brands have become the target in the fight for decent labour, environmental and human rights standards around the world. In their eyes, companies with world-spanning networks have become the potential enemies of public interest, the distrusted actors" (Palazzo & Scherer, 2006). The modern corporation will find itself increasingly becoming a political actor and forced into public discourse either through the media, protests actions, government actions or public/collective actions (Baron, 1995). Scott (1995) " from an institutional perspective, legitimacy is not a commodity to be possessed or exchanged but a condition reflecting cultural alignment, normative support, or consonance with relevant rules or laws".

An agreed and universally acceptable CSR framework for granting legitimacy has not yet been devised. However an emerging consensus is growing that such a system must encompass and go beyond the public institutions of democracies like the courts, arbitrations, parliaments and councils to include a discourse that engages communities, NGOs and those who feel voiceless in the traditional structures. Such a system must take a broader stakeholder view and be developed within a framework that is acceptable. Institutional theory would appear to offer the ability to construct such a framework.

Central to an effective framework is the concept of legitimacy and central to achieving legitimacy is reputation. For many in the extractive industries to acquire legitimacy will require change in processes. Institutions confer legitimacy the current institution of CSR offers such legitimacy for an industry such as CSR. Legitimacy in a contested institution therefore requires change. CSR is such a contested institution therefore it is appropriate to look at institutional change.

Institutional change has a number of components: agents or actors described as political or economic entrepreneurs; sources of change- price or preferences; and processes of change incremental or discontinuous (North, 2011). The classic adage that time nor tide stand still for no man holds true for institutions. While at their basic level they are constraints that frame human interactions they must like the humans that form them evolve. This evolution is complicated as institutions are subject to change from within - most likely by constituent organisations, from their own industry and externally from other institutions that their stakeholders may be part of. Change is predominantly incremental but

can also consist of discontinuous changes i.e. revolution or rapid technological changes or preference changes.

Institutions exist to frame human interaction in a stable environment but that stability “in no way gainsays the fact they are changing” (North, 2011). Central to understanding institutional change is to understanding resistance to change and why industries and their constituent parts may resist change or how they may embark on and react to change. Viewing institutional theory from an organisational perspective we see that to survive organisations must conform to the rules and beliefs systems prevailing in the environments (Scott & Meyer, 1991). Defining and observing what are the prevalent rules and beliefs can be complex especially where the institution has weak enforcement. Critical to the stability of an institution is not only the rules, norms and standards but also the enforcement of those.

North (1991) argues that if information and enforcement were costless it would be hard to envisage a role for the firm. He agrees with (Coase, 1991) belief that transaction costs are the basis for the firms existence. Critically both Nobel winning economists also agree with the notion of strong enforcement being critical.

North (1991) puts forward a view of change being as a result of entrepreneurial activity taking place within the framework of the institution and creating change. He classifies that as either economic or political entrepreneurship. Essentially he sees entrepreneurial activity as creating change within the institution by its success and others follow the example. This concept of 'others following' leads into some early

research in institutional theory by (DiMaggio & Powell, 1991) around three forms of following - or more correctly isomorphism. They identified three forms which appear to fit into a very logical means of structuring homogenisation of organisational structures in response to external pressures.

The three forms of isomorphism – mimetic, normative and coercive, are the foundation to understanding institutional change and the factors that influence it. However they are also similar to the three pillars that legitimacy is based on: regulative, normative and cognitive (Scott R. W., 1995). The linkages between Scott, and Di Maggio and Powell are laid out in a tabular form in Figure 3.5. These linkages have also been made by (Doh, Siegel, Howton, & Howton, 2010) "We view the normative frame.....as a starting point for understanding the pressures for firms to be perceived as socially responsible." According to Scott, normative perspective includes value—conceptions of the preferred or the desirable—and norms—expectations of how things should be done, including informal expectations of fair and acceptable business practices. Hence, this normative perspective creates the conditions for conference of legitimacy.

"Organizational legitimacy refers to the degree of cultural support for an organization—the extent to which the array of established cultural accounts provide explanations for its existence, functioning, and jurisdiction" (Scott & Meyer, 1991)

"Legitimate organizations meet and conform to societal expectations and, as a result are accepted, valued, and taken for granted as right,

fitting, and good" (Doh, Siegel, Howton, & Howton, 2010). They further argue that "legitimacy and legitimization are conceptually related to institutionalization." From this proposition it can be argued that legitimacy may be "one measure of institutionalization" as they confer legitimacy.

Key elements of institutionalisation are enshrined in a comparison which compares Di Maggio and Powell's Isomorphism's with the three pillars of legitimacy as envisaged by Scott. (Larrinaga-Gonzalez, 2007)

Figure 3.5 Elements of Institutionalisation

DiMaggio and Powell	Scott	Examples
Coercive mechanisms, such as the law or the market, lead organisations to comply and align with the norms in such a way that behaviour becomes very similar in all of them.	Regulative structures, such as the law or the market, involve the capacity to establish rules, inspect conformity and manage sanctions in order to influence future behaviour.	Consumer boycotts (against child labour or environmental accidents) lead companies to change structures and practices. Environmental regulation makes companies to adopt new technologies
Normative mechanisms propelled through professionalization, formal education and professional networks, lead individuals to act according to values and norms.	Normative structures are based on social values and norms, leading individuals to act according to societal expectations.	Deontological codes shape practice in many professions, such as doctors or accountants.
Mimetic mechanisms. Organisations imitate those peer organisations that seem to be more successful and legitimate	Coercive structures are taken for granted symbols, meaning and roles that support the legitimacy of organisations.	It is argued that the waves in the use of some concepts and techniques by organisation are associated with vogues (imitation) rather than with rationality.

Coercive Isomorphism is linked to politics and the notion of legitimacy. In general changes are brought about by pressure from other organisations that are needed in order to operate or from cultural expectations in the society in which an entity or industry operates (DiMaggio & Powell, 1991). These may come about as a law from a state or municipality or through collusion such as industry collusion like the Kimberley process for ethical diamonds or via persuasion such as the move by Multi Nationals to sustainability reporting.

Mimetic Isomorphism occurs when a Corporation or an organisation models itself on another organisation this generally occurs when they perceive it to be doing well or who have gained legitimacy (Powell & DiMaggio, 1991). In economics there is no such thing as perfect information and therefore Corporations will watch the behaviour of other competitors to determine what their next move should be

Evidence has been found in the institution of CSR of both and mimetic isomorphism through interviews with senior managers (Bondy, Moon, & Matten, 2012). However Normative Isomorphism was not found in the 2012 study by Bondy et al. Normative refers to the professionalization process. This is professionals seeking to define their work and gain recognition or legitimacy for their processes and qualifications. The study that Bondy et al (2012) carried out would have included non CSR professionals as well as CSR professionals but was focussed on how CSR was engrained in their Multi National Companies (MNCs). To adequately research the actual professionalization of CSR would probably require investigation of academics, professional bodies

and recruitment trends. Given that there is not a universal agreement on all components of CSR or of what constitutes a CSR profession this is a very difficult task. In addition the fact remains that many academic institutions are studying and researching CSR under different subject headings including business management, human rights, environmental, financial and international relations. It is difficult to see such a myriad of workers recognising that they are part of a single profession in the way that Doctors, Solicitors and Dentists might.

However as codes, operating processes and standards become more embedded and certain skilled and professional staff steward those areas a professionalization process has begun to be more identifiable. Professionalization in the context of people's roles has begun and it's difficult to predict with any real accuracy against a backdrop of technological advances and moves away from traditional structures how this professionalism may manifest itself in the case of CSR. There is no doubt that it does exist though and will be more prevalent in the years to come.

The nature of CSR needs to be looked at as an institution and within that institution which is an engine for change there will be both entrepreneurial opportunities as well as isomorphic behaviours all of which combine in bringing about change. The point being that in order for business to have a framework or structure to make a positive contribution there needs to be guidelines or if you like a rule book.

The author looked at different aspects of how one can introduce best practices, standards and codes. Looking at individual firms in the

Extractive Industries and what they had done to be innovative in CSR. It is apparent that none have been as entrepreneurial as to act as a beacon to their peers like Starbucks had done in the beverage and food sector. There appears to be few if any CSR front runners in either industry although some companies have invented systems for assessing and managing Non-technical risk like Anglo American's SEAT model (Cameron-Johansson, 2013). The more deeply into the individual contributions of a company or activity by people to make radical changes that this researcher delved the greater the realisation was that CSR exists on a broader plain. The nature of the institutional context of the extractive industries is that their official Licenses to operate are very tightly managed by national governments and their agents. This institutional context may be a major factor in the framing of CSR for these individual companies and points to a greater need for collective development of norms and standards

Therefore in this context CSR can be seen as being not about one Coffee house and its impact on coffee bean growers, although an insightful and inspirational case study, nor is it about Brent Spar and its impact on OSPAR or blood diamonds and the creation of the Kimberley Principle. It is in fact about all of these issues and innovations and how they have significantly moved forward the overall agenda of CSR. Primarily the overall agenda of CSR is the interplay of significant powerful organisations in politics, business and society within their markets, sectors and countries. These powerful institutions are central to the future direction of the focus sectors of this paper in response to CSR.

A commonality exists though in relation to rules, norms and standards. Further commonality exists in relation to non-binding procedures such as conventions, codes, taboos, customs and ceremonial events. North referred to them as the humanly devised constraints that structure political, economic and social interactions. In truth institutions set norms that are perceived as rules or codes, in some cases these become law and in others they become accepted custom and practice. This gap may be a vital area to understand the evolutionary process (Jepperson, 1991).

CSR similarly covers most of these disciplines and is of itself an institution (Moon et al). Similarly Mining & Metals and Oil & Gas industries are separately institutions or potentially amalgams of institutions. Researching these phenomena alone could be a separate Thesis topic. This author is accepting for reasons to be explained later on that CSR, Oil& Gas, and Mining & Metals are all institutions. This literature review is concerned with the interplay of these institutions namely CSR with Oil & Gas, CSR with Mining & Metals and CSR with the amalgamated, if not somewhat augmented, grouping of both that is the extractive industry.

3.5 Issues and Questions

One of the biggest issues in seeking to build a theoretical framework around CSR, Oil & Gas and Mining & Metals is the constraints placed on any writer by the structures of schools of theory associated with institutional theory. To illustrate this research will look at the nature of why this paper is investigating these areas. One of the biggest issues surrounding the extractive industries is the distribution of income and in

particular profit throughout the value chain. In simple economic terms this is largely around transaction and production costs. Economics sees this as being about lowering these costs and reaching zero transaction costs to enable profit maximisation. The industry would argue that CSR constraints being placed on it increase costs, in particular new codes and regulations for the environment, human rights and governance. Naturally a certain school of thought in CSR would rationalise that these industries should shoulder these costs rather than society.

Viewing it from the sociological perspective would ensure looking at from customs and norms around how people trade and how the institution embeds these laws and informal rules in the transactional realm of trade. In this arena scholars start to look at issues such as the practices that have occurred. International relations look at it in the context of Global rules and the interplay of transnational players with national interests. Principles and agreements such as trade and tariffs and economic unions, maritime agreements are all central to this. Political science is be concerned with similar issues such as the issues raised by the other theories above but also how these are embedded at a national level through political reforms. In essence the complexity of CSR is that its institutionalisation takes place at all levels and so it is an arena that touches on all areas of institutional theory. In the context of the reach of the two industry sectors of this paper then it can be easily seen that it must be dealt with at multiple levels to ensure that it deals with the competing agendas.

The diffusion of codes, practices and standards will be brought about in CSR via isomorphic mechanisms. When these occur they aid the establishment of legitimacy and create a stable institutional environment to bring about incremental change. The diffusion, development, agreement of codes, and enforcement is difficult to envisage being enacted without an organisation field structure that brings NGOs, Industry, states and regulators into discourse. The means of engagement in that discourse for an industry would appear to be best done through a defined industry body with a clear mandate. The core question to this research is how a defined industry body helps to develop standards, norms and behaviours and if there are different approaches to doing so.

The main research question is:

What are the roles of industry associations in sector level code development for the Extractive Industry?

The main objectives of this work are to:

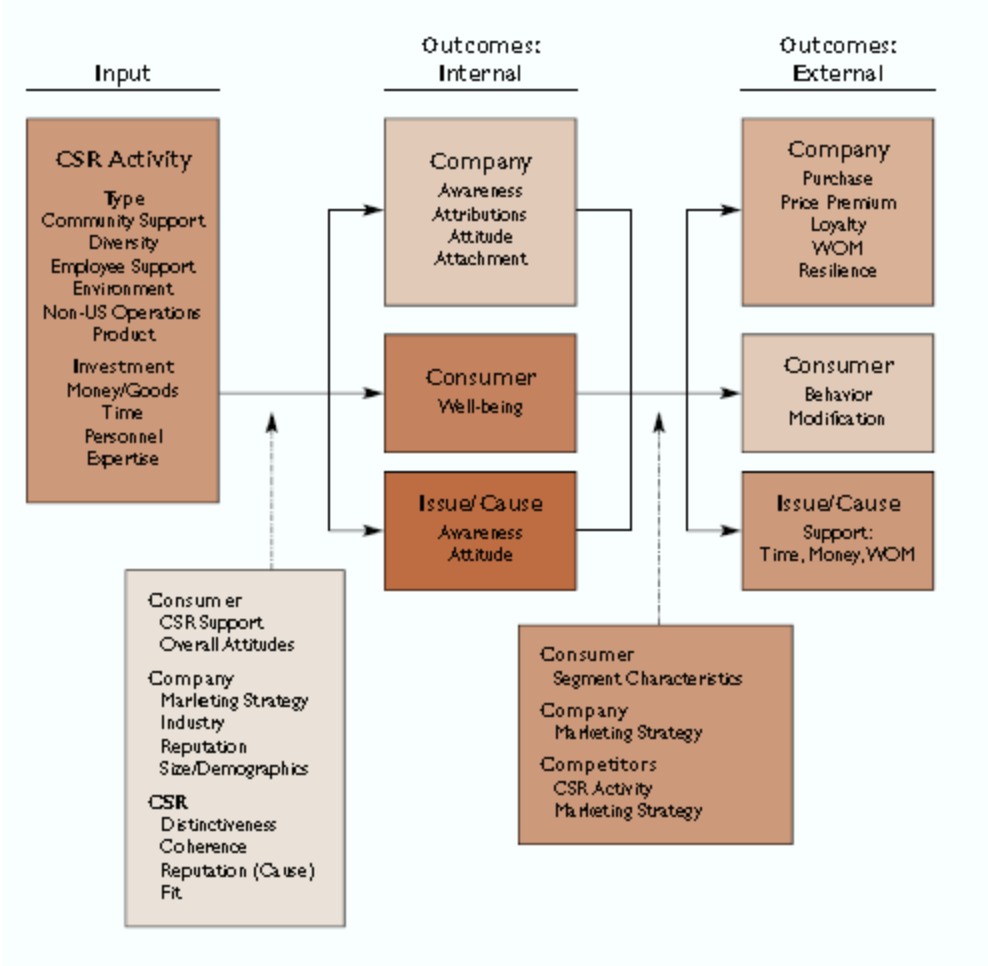
- Analyse the similarities and differences between IPIECA and ICMM, the CSR associations of Oil & Gas and Mining & Metals industries respectively;
- Assess the role of industry associations in the process of developing codes and standards at sector level, and how these are subsequently adopted and institutionalised by companies;

Assess the implications of the approaches taken by ICMM and IPIECA to promoting codes and standards of responsible business practice within their respective industries

To properly analyse these questions it is necessary to construct a conceptual framework grounded in CSR but shaped by the literature review of institutional theory.

Having reviewed in this chapter an array of CSR frameworks that exist a conceptual framework is emerging that looks at the development of CSR in the context of extractive industries institutions. It develops on the core issues of institutional change, the patterns that change may take and the factors that highlight the form of that change. Central to the framework are external pressures from stakeholders, events incremental or disruptive and the process of institutionalisation, the isomorphism. To bring that framework to life and use it as a basis for analysis this author has depicted it in an illustrative format. The concept format is inspired by the structure of the Bhattacharyya model that views CSR markets by looking at motivations and drivers. That specific model is viewable in Figure 3.6

Figure 3.6: Bhattacharya model of CSR market drivers



Bhattachayra is a firm based model and looks at CSR from the perspective of the drivers from a firm level. Therefore competitive advantage has a strong bearing on his model. In the context of this paper a much more political viewpoint is been taken and the model looks at CSR in the context of delivering legitimacy. It concentrates on the mechanism of delivering legitimacy and as CSR is an arena that seeks to frame the relationship of business and society, which we know to be in the teeth of a process of change then the framework focuses deeply on the processes of change that instil legitimacy.

Chapter 4 Conceptual Framework

4.1 Introduction

The overall aim of this research paper is to observe the industry approaches of Oil & Gas and Mining & Metals to the institutionalisation of Corporate Social Responsibility (CSR). Institutional theory is providing the theoretical framework to measure the political structure of these institutions and their interplay with other institutions such as government, NGOs and society. The aim is to examine the structure of the process of institutionalisation of CSR at an industry level and its subsequent effect on two industry sectors. The limitations placed on the researcher are how to conceivably measure the totality of the Institutionalisation of all CSR related activity across two vast industry sectors. In order to appropriately research this arena the author has developed a conceptual framework that sees CSR becoming embedded within an industry or institutionalised through pressures from stakeholders and via incremental change or disruptive events. The framework over which the qualitative research will be stretched seeks to look at the elements of the institutionalisation of CSR in an extractives industry setting. The literature review has focused heavily on institutionalism and CSR theories. Focusing on the structure of the process of institutionalisation and the elements that prove what an institution is and how it is structured. Also defining why CSR is an institution. The literature review moves then into the processes of change (Isomorphism's) and the causes of change.

As discussed in the previous chapter a conceptual framework is being developed and it is based on the structure used by (Bhattacharya &

Sankar, 2004). Using the visual impact of such an illustrative approach the author set about building a causal framework for analysing an industry association focussed on CSR. This is different from the actual CSR frameworks that have been reviewed in the literature review. Most CSR frameworks seek to provide a single process structure for seeking to assign constraints and enable change. This framework is designed to analyse the constraints and the enabling processes plus look at what may have led to the issues and so allows for historical context. In other words what pressure or issues brought about the change but more specifically it looks at how that change manifests itself and who or what was behind that change.

4.2 Framework Structure

The framework seeks to represent the structure that allows the analysis of an industry association to examine the institutionalisation of CSR in that industry sector. The literature review has shown that CSR is an evolving issues based arena in which stakeholders are a key pressure point to bring about change (Baron, 1995). This change can come about incrementally and indeed the literature review points to a need for institutional stability because through economic or political entrepreneurship this is best achieved by means of a stable institution (North, 2011).

The main structures of the framework are developed based on the literature review from the previous chapter. There are 3 main building blocks 1. Institutionalisation of Industry, 2. Institutionalisation of Members and 3.Stakeholders. What links these building blocks is change and it is found in two formats incremental and discontinuous

triggers. Also depicted within the framework to show its interconnectedness to all elements is the industry association.

Drawing heavily on the theories of (DiMaggio & Powell, 1991) as explained in the literature review the framework has been developed to examine the processes of institutionalisation of CSR. There are three sub levels within the two blocks that represent the industry and members. These sub levels are based on analysis of Scott (1995) and Di Maggio and Powell (1991) using the headings of Di Maggio and Powell these are Normative, Mimetic and Coercive. The literature review has shown the links to the Scott three pillars and the contextualising of how they impact legitimacy. These processes have been deepened and augmented through a more in-depth understanding of CSR in particular with regard to the need for the extractive industries to concentrate on legitimacy (Doh, Siegel, Howton, & Howton, 2010) and a more political framing of CSR rather than a firm based competitive advantage focus (Brammer, Jackson, & Matten, 2012). The focus of the conceptual framework is around the three sub levels as borne out of the literature review of institutional theory. A full explanation of the building blocks of the framework and the details below these blocks is:

1. Institutionalisation of Members: The positive impact of institutionalisation is the adoption, diffusion and widespread usage by individual constituent members of an industry of these norms and standards. On the flipside the negative impact is resistance – in the form of advocacy and lobbying against- , and failure to diffuse or adopt new standards or norms. For the members element of institutionalisation the emphasis of the sublevels differs:

a. Normative: The focus here is on professionalization of CSR at a firm level. Proof would be in the form of specific staff and management assigned to these roles and responsibilities, the growth of a specific department or grouping of professionals within a company who work on CSR issues. The creation of Board sub committees and senior management task forces. The focus of the Leadership of companies on such matters. Do companies send out C-suite executive to lead on CSR issues or is it managed at a middle management level.

b. Mimetic: A very clear sign of the institutionalisation is the diffusion within a sector across similar companies of similar standards and the acceptance of these as a new norm. In a new and all embracing arena like CSR this can manifest itself in a numerous mimetic forms such as widespread and standardising of sustainability reporting and monitoring and the use of Health Safety and Environmental Mgmt Systems that have been successful in other companies.

c. Coercive: The coercive impact at a member level is focussed on to regulation compliance and is most visible where strong enforcement exists. Areas where this is most observable are: increased health and safety and environment compliance, enhanced risk management, principles and frameworks, and employee value propositions. There are also industry frameworks where individual members/companies are assessed and evaluated by their peers.

2. Institutionalisation of Industry is the core focus of research in this Thesis. Therefore the measurement of process institutionalisation for an industry is strongly correlated to the institutionalisation of industry. The structure of this element of the framework is heavily influenced by the theory of isomorphism and legitimacy (DiMaggio & Powell, 1991; Scott R. W., 1995). Central to understanding how this institutionalisation is achieved are the elements of institutional theory, legitimacy and CSR as explained in the section above on institutionalisation of members. The focus of the sublevels though is somewhat different.
    a. Normative: The expression of the professionalization of the industry would be in the form of professional associations for CSR staff from the industry and task forces associated with an industry body. There is also the forming of an industry CSR body like IPIECA and ICMM. Furthermore there is the recognition within the industry of professional qualifications and the development of networks for staff and management and support of training and education. There is also the industry recognition of qualifications and of professions or professional competencies. Combined with the participation of senior management from the industry in CSR fora setup by the industry or representing the industry at multi stakeholder fora.
    b. Mimetic: The industry associations and its primary leaders collectively create the mimetic effect within their industry and lead to change among smaller players but also the industry may have a mimetic effect on other industry sectors. Many issues that are targeted are not just specific

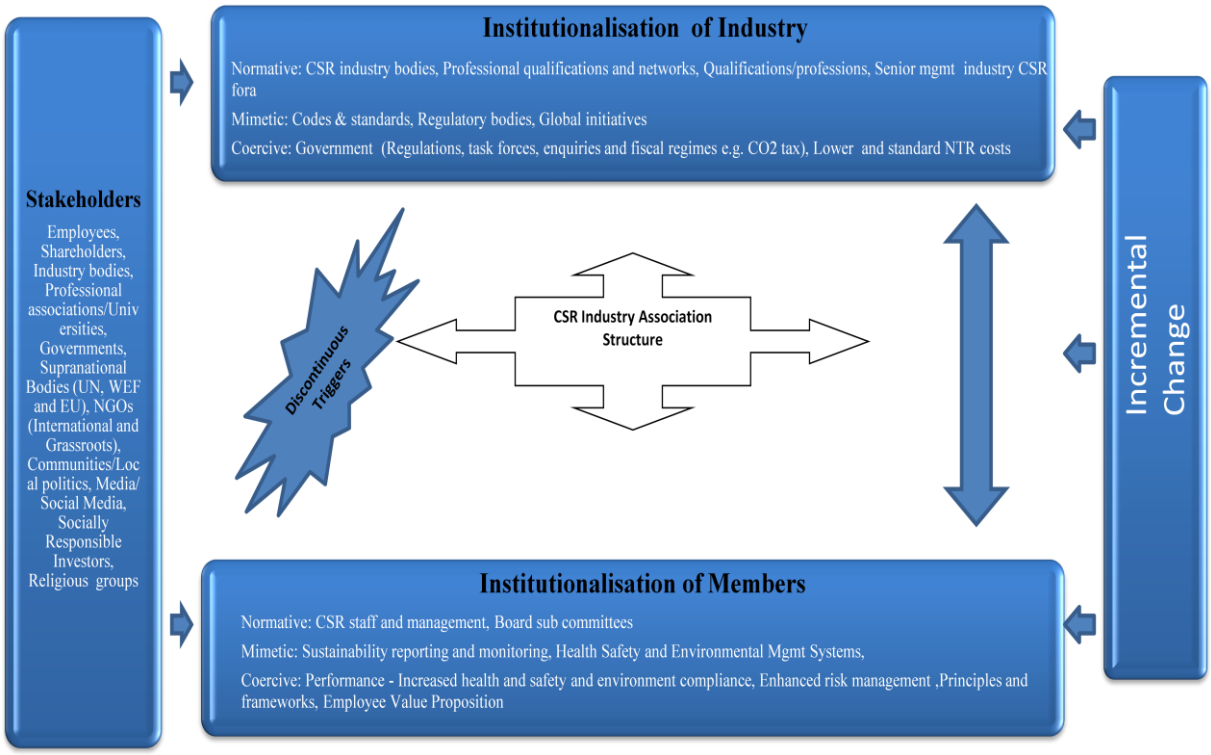
to Oil & Gas or Mining & Metals. Very often the targeting of these industries is due to their high impact and they can be targeted by NGOs to change other smaller industries and sectors.

c. Coercive: This is normally observable in actions from Government such as Regulations, task forces, enquiries and the establishment of QUANGOS/regulators to police industry on key issues. It can also be found in traditional arms of the state through fiscal regimes e.g. CO2 tax. While industry often tries to stop such actions it can also lead to lower and standard Non technical risk costs. With the institutionalisation of CSR inevitably comes an eventual move or pressure to move to regulatory and stricter enforcement measures. Many NGOs believe that full buy-in from industry does not occur without coercive isomorphism. While standards adherence to new regulations normally have a cost to a business it is clear that the actions of NGOs and other protest groups are causing delays to projects and escalations in costs. Regulation of issues can often bring a certainty that eliminates unknown costs.

Stakeholders are a critical element of the CSR debate. Although they are not the primary focus of institutional theory they are an essential element of the theory. Discontinuous Triggers and Incremental change are elements of the Conceptual framework in that they show that the institutionalisation is created by a complex interplay. The structure of an industry association is a critical enabler of the active participation

or blockage of the process of institutionalisation. This combined is depicted in Figure 4.2 the extractive industry institutionalisation framework. Interrelations between the blocks are essentially the flow of events and processes towards a comprehensive analytical framework of the institutionalisation of CSR.

Figure 4.2 Extractive Industry Institutionalisation Framework



4.3 Propositions

Therefore taking the 3 core sections and linking with the non-core elements of the conceptual framework, which are essentially the flow and linkages of the model: industry association structure, incremental change and discontinuous triggers. It brings about two clear propositions to be answered by the research questions that were posed earlier. These propositions are:

a. That there are variations in the approach of industry bodies and to analyse which are more beneficial. To conclude that a CSR specific devised association is better than an evolving organisation that looks at CSR issues generally and adjusts as the industry needs or wants it to.

b. That codes and standards are a critical means of embedding CSR and that an industry association plays a significant role in the process. Also to analyse which type of industry association has greater influence.

Chapter 5 Methodology

"Measure what is measurable, and make measurable what is not so."
Galileo Galilei

5.1 Introduction

This research paper uses the methodology of comparative case studies to observe if there are differences in how IPIECA and ICMM have embraced CSR for their respective sectors and what may underlie their respective approaches. The use of case studies as a tool will be developed by using historical data. That data will be primary data sources that are publically available records these are mainly in the form of annual reports, reports on aspects of CSR specific to that industry, minutes of meetings, industry guidelines and industry publications.

The Ontological approach to this study is to seek to observe the interplay of institutions and the influence that a new institution namely CSR can have on traditional institutions including industry sectors, national governments, communities and international politics. The foundation of this paper is that the world is made up of a variety of institutions that interplay with each other and impact on each other. The underlying belief of this research is that institutions are interconnected and .impact on each other, that they constrain each other while paradoxically affording opportunities for entrepreneurship or innovation. It is also a central tenet of this research that the world is moving from being dominated by state and religious controlled institutions to having new powerful actors. That they are equally politically involved and while these institutions were previously thought to have been politically divorced from the worlds power structures they are now being forced to become central figures in the new world order.

The ways of the world are largely reflected in the Literature review as Institutional theory and CSR are worldly studies and these influences throughout this paper the world view of the author and of this research.

From an Epistemological perspective this research seeks to observe in an uncontrolled environment the things and the rules of the game. The research seeks to unearth and enlighten through being exposed and is not a test or series of tests but an attempt to bring the spotlight towards a known arena that is often simply ignored.

The key objectives of the research are to research the questions:

What are the roles of industry associations in sector level code development for the Extractive Industry?

The main objectives of this work are to:

- Analyse the similarities and differences between IPIECA and ICMM, the CSR associations of Oil & Gas and Mining & Metals industries respectively;
- Assess the role of industry associations in the process of developing codes and standards at sector level, and how these are subsequently adopted and institutionalised by companies;
- Assess the implications of the approaches taken by ICMM and IPIECA to promoting codes and standards of responsible business practice within their respective industries

The case studies will then be analysed and the basis of this analysis, strategy and methods will be explained in greater detail. The reason for using case studies was based on (Yin, 2009) citing when you should use

each of the five major research methods. This research is exploratory in that very little research exists into the institutionalisation of CSR in the extractive industries but in particular there appear to be no studies looking at the impact of industry associations that specifically deal with CSR issues. It can also be argued that these associations have both existed for a significant period of time to have had an impact and so the study is explanatory or causal in that it is investigating the underlying motivations and the reaction to that by the industry bodies. The author has determined that the form of the research questions are mainly in the form of how and why enquiries. Furthermore that there is no way of controlling or setting up a control of behavioural events and it is focused on contemporary events. The reasons for deciding on that are that the cores of the questions are how and why. The entire research strategy is to observe and compare such phenomena as the embedding of codes and standards, and the choice of individualistic versus group behaviours.

5.2 Conceptual Design

According to (Yin, 2009) there are five key components: to a good study 1. A good question – these are expected to be predominantly how & why; 2. A clear proposition – what do you intend to prove and what is being investigated or looked at; 3. Appropriate unit of analysis – to what sector level will the study be carried out is it industry or business; 4. Linking of data to propositions; and 5. Effective interpretation of findings -In general case studies are a type of descriptive research looking at individuals, a small group of people or a unit. Data is collected by observation, participation and a range of other methods including examining existing records, interviews and

tests. Case studies tend not to look at cause and effect rather they focus upon exploring and describing:

1. A good question – these are expected to be predominantly how & why. These have been described in detail in the introduction to the chapter.

2. A clear proposition – what do you intend to prove and what is being investigated or looked at. The proposition is twofold:

a. That there are variations in the approach of industry bodies and to analyse which are more beneficial. To conclude that a CSR specific devised association is better than an evolving organisation that looks at CSR issues generally and adjusts as the industry needs or wants it to.

b. That codes and standards are a critical means of embedding CSR and that an industry association plays a significant role in the process. Also to analyse which type of industry association has greater influence.

3. Appropriate unit of analysis – to what sector level will the study be carried out is it industry or business; the unit of analysis is the industry associations for broad CSR related issues for the oil &gas and Mining & Metals industries.

4. Linking of data to propositions; I will analyse IPIECA and ICMM bodies to see how they fit within the framework structure that has been developed to analyse an industry. Historical records are to be analysed using the developed framework. The records will be sifted through of each association and the case studies developed under those framework headings.

5. Effective interpretation of findings – The framework approach that is being used is a Logic model this is being used as historical events influence the structure. However it will also be necessary to further analyse the results of the information placed within that framework and make comparisons within the case study and in order to do that a cross case syntheses will be used. Those syntheses will use word tables and compare the result under each heading. The results will be purely qualitative and will require the interpretation of the author using the theories that were developed from the literature review to assess the power of the findings. It should however be noted that it may result in having to recommend carrying out detailed quantitative research at a later date to further establish the merits of the data.

It is not universally agreed that institutionalism can be easily measured and the development of the conceptual framework is a move towards spanning the gap from beliefs such as those by (Peters, 2000) "For some versions of institutionalism the measurements are obvious and border on the trivial; the question of measurement is simply what are the formal structures and what can differences among those structures predict."

However it is the belief of this author that the institutionalism of CSR in the extractive industry can be explored and that this framework will help to develop a new lens on the institutionalisation of CSR.

5.3 Case Studies

Case studies are ideal to study complex social phenomena, and real–life events such as organizational and managerial processes. "A case

study is an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" Case studies are usually used for qualitative research and are useful for 'how' and 'why' questions, where context is important, and where the researcher has little control over events.

5.4 Data Collection

The collection of data will be aided by the use of Internet. The key data to be examined will be reports and historical documents that provide the proof of the context of the setting up of the organisation or proof of how the organisation evolved into a broad CSR organisation. This information will not be time bound.

The analysis of annual reports, meeting minutes and other reports will be time bound from the period of 2001/2 up until 2012. This is to allow a comparative analysis. The ICMM was setup in 2001/2 and even though IPIECA has existed as an environmental group since the foundation of UNEP in 1974 its broad based CSR activity could really have only started in 2001/2 when CSR became a growing phenomenon. A full set of reports for 2013 does not exist and therefore any analysis would be incomplete.

This data will be supplemented by bringing in secondary data and reports mainly from academic research and newspaper articles to illuminate or provide context to key issues. These will primarily be used in aiding the interpretations.

The content analysis of the publically available information does carry some risks that it may not be able to gain the in-depth analysis that may be expected on such a topic.

5.5 Conclusions and Limitations

The research methodology is exploratory and it is likely that in the future more quantitative research will be required on certain areas of the theories uncovered by this research. The biggest limitation on the research methodology deployed is that it relies only on publically available information. There is a risk that this lacks rigor and maybe generalised data. To supplement for this risk this paper has analysed a vast array of internal reports and guidance documents and brought out the key findings from a strong subject matter knowledge base. It is still felt that qualitative research is the only suitable means to analyses this research.

Chapter 6 IPIECA- Case Study

6.1 Introduction

The primary aim of this case study is to analyse the primary industry vehicle for dealing with CSR for the Oil & Gas industry. In establishing the motivations of an industry for tackling CSR this paper looks for both Triggers and/or Incremental change and chooses the beginning of the industry response and the formation of an industry body to tackle CSR. There are a number of CSR frameworks and there are a number of industry groups but the body with the widest remit and the most comprehensive membership is IPIECA. The key feature of IPIECA is that it is an industry association concerned with a breadth of CSR issues.

6.2 Incremental change and discontinuous triggers

IPIECA was created in 1974 by a series of triggers. IPIECA was established as the Oil & Gas industries response to the formation of the United Nations Environmental Programme (UNEP).

As discussed in Chapter 1 this was a period of awakening for what we now know to be the environmental movement. This period was an awakening of the issues surrounding the finite nature of natural resources. This represented a threat but also an opportunity to the Oil & Gas industry. Air pollution was a significant issue and huge pressure to move away from coal had already switch New York from coal to oil. In Stockholm in 1972 the first environmental summit took place and it was decided that UNEP be established. It is important to understanding the context of the time that this was truly ground

breaking and the language of the time was high on aspirations and principles with little normative initiatives. However, there was an underlying coercive incentive and a stated intention to co-ordinate globally (at least on a country by country basis) stricter environmental legislation. The first principles of the Stockholm declaration while not using the phrase sustainable development were very much focused on what we now understand to be sustainable development. They talked about "constraints on Natural Resource exploitation" (Handl, 2012). There was also a strong link developed between poverty alleviation and the environments. "Stockholm represented a first taking stock of the global human impact on the environment, an attempt at forging a basic common outlook on how to address the challenge of preserving and enhancing the human environment" (Handl, 2012). The Oil & Gas industry reaction was to form the International Petroleum Industry Environmental Association (IPIECA) in 1974 as a not for profit organization. IPIECA membership consists of petroleum companies and associations at national, regional and international levels (IPIECA, 2011).

IPIECA is the global Oil & Gas industry association for environmental and social issues. IPIECA was formed in 1974 following the launch of the United Nations Environment Programme (UNEP) (IPIECA, 2011). IPIECA is the only global association involving both the upstream and downstream Oil & Gas industry on environmental and social issues. IPIECA's membership covers over half of the world's oil production. IPIECA is the industry's principal channel of communication with the United Nations (IPIECA, 2011). When IPIECA was set up in 1974 the acronym stood for the International Petroleum Industry Environmental

Conservation Association. In 2009, recognising that this no longer accurately reflected the breadth and scope of the association's work; IPIECA stopped using the full title. The association is now known as IPIECA, the global Oil & Gas industry association for environmental and social issues.

6.3 Key Stakeholders

IPIECA membership was originally founded by the top International Oil companies today it represents 50% of the Oil & Gas produced globally. Its membership exists on each continent and it consists of National Oil Companies and International Oil Companies (IPIECA, 2011; IPIECA, 2010; IPIECA, 2009). It has 31 company members' and 13 association members who in turn represent 400 oil companies (IPIECA, 2010).

As can be observed in figure 6.1 IPIECA has key relationships with many other Oil & Gas associations, some high profile NGOs such as IUCN, business associations and International government organisations. Essentially this shows that it is at the table talking to the right groups of stakeholders. This enables the environment to create the correct discourse for the proper development of codes and standards and should enable the diffusion of them.

Figure 6.1 Key Relationships of IPIECA

Oil & Gas organisations
AIP - Australian Institute of Petroleum
API - American Petroleum Institute
APPEA - Australian Petroleum Production and Exploration Association
ARA - African Refiners Association
ARPEL - Regional association of oil, gas and biofuels sector companies in Latin America and the Caribbean
CAPP - Canadian Association of Petroleum Producers
CONCAWE - The oil companies' European association for environment, health and safety in refining and distribution
Canadian Fuels Association
EUROPIA - European Petroleum Industry Association

IBP - The Brazilian Petroleum, Gas and Biofuels Institute
Japan Petroleum Energy Centre
OGP - International Association of Oil & Gas producers
PAJ - Petroleum Association of Japan
SAPIA - South African Petroleum Industry Association
UKPIA - UK Petroleum Industry Association
WPC - World Petroleum Council

Business organizations

Business for Social Responsibility (BSR)
International Business Leaders Forum (IBLF)
International Chamber of Commerce (ICC)
International Council on Mining & Metals (ICMM)
The UN Global Compact
US Council for International Business (USCIB)
World Business Council for Sustainable Development (WBCSD)

International organizations

CDA Collaborative Learning Projects
F&C Asset Management
Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria (GBC)
Global Business Initiative for Human Rights (GBIHR)
Global Reporting Initiative (GRI)
International Association of Impact Assessment (IAIA)
International Finance Corporation (IFC)
International Organization for Standardization (ISO)
International Organization of Employers (IOE)
Oil, Gas and Mining Sustainable Community Development Fund (CommDev)
Roundtable on Sustainable Biofuels (RSB)

Inter-governmental organizations / United Nations

Convention on Biological Diversity (CBD)
European Maritime Safety Agency (EMSA)
Intergovernmental Panel on Climate Change (IPCC)
International Maritime Organization (IMO)
Partnership for Clean Fuels and Vehicles (PCFV)
United Nations Commission for Sustainable Development (CSD)
United Nations Economic Commission for Europe, Inland Transport Division (UNECE WP29)
United Nations Environment Programme (UNEP)
United Nations Environment Programme-World Conservation Monitoring Centre (UNEP-WCMC)
United Nations Framework Convention on Climate Change (UNFCCC)
United Nations Sub-Committee of Experts on the Globally Harmonized System for Classification and Labelling (UNSCEGHS)
World Health Organization (WHO)

Non-governmental organizations

International Union for Conservation of Nature (IUCN)
Living Earth
World Resources Institute (WRI)

Source: (IPIECA, 2009)

The NGOs are not very radical and more reasonable from an industry perspective and are less troublesome that the better known and more critical NGOs such as Amnesty International and Greenpeace. Also the international government organisations are heavily biased towards the United Nations bodies. As this was the founding intention of IPIECA it is hardly surprising nonetheless it shows a limited level of evolution

(IPIECA, 2006) (IPIECA, 2012). There appears to be membership and cooperation of lots of initiatives but very few if any publically available position papers or discourse on the issues raised by these stakeholders,

6.4 Institutionalisation of Industry

IPIECA primarily exists to "develop, share and promote good practice" (IPIECA, 2012). It has not developed its own CSR framework and while it endorses or encourages participation in CSR frameworks there is no specific Oil & Gas CSR framework on a global basis. Yet IPIECA appear not to be developing a CSR framework nor have they identified a gap which would require one. Instead they offer guidance to sustainability reporting to try and encourage all their members to report.

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An indication of the reactive stance that IPIECA takes from an industry perspective is apparent in this statement "Separate working groups address global environmental issues related to the petroleum industry: oil spill preparedness and response, global climate change, biodiversity (with case studies from various regions), fuel quality and vehicle emissions, and human health. IPIECA also helps members identify new global environmental and related issues and assesses their potential impact on the oil industry (IPIECA, 2006)."

Sharing of best practice and a strong emphasis on communication would point to a strong ability to facilitate mimetic affect and from their strategic direction IPIECA and the Oil & Gas industry would appear to believe that their role is to diffuse the best cases from its members and encourage a greater movement towards the best cases in specific areas. They do this by using case studies of membership, often involving co-

operation with external bodies and including them in key reports (IPIECA, 2012) (IPIECA, 2006). The IPIECA staff exists to facilitate the participatory membership and is as such a secretariat "The work of IPIECA is supported by a number of specialist working groups. These working groups draw on the skills and experience of our international membership and operate with support from a secretariat. IPIECA currently has working groups that address the following areas: biodiversity; climate change; health; oil spill preparedness; operations and fuels; reporting., social responsibility, and water. (IPIECA, 2009)".

IPIECA engages in no coercive implementation at all and does not audit or assure the case studies or CSR practices of its membership. Nor does it set a minimum standard that its members must reach in order to gain entry IPIECA clearly states in the 2011 annual review "IPIECA's position as the industry reference for good practice globally is due to the hard work of the Secretariat, members, and external stakeholders. All of these efforts contributed to the progress made by IPIECA throughout 2011 which is detailed in the review.

Normative institutionalisation is being strongly encouraged and developed by IPIECA. The establishment of working groups on the specific topics of oil spill preparedness and response, global climate change, biodiversity (with case studies from various regions), fuel quality and vehicle emissions, and human health, which are generally run by experts in these fields from the various Oil & Gas companies shows a professionalization of CSR occurring in the Oil & Gas sector.

IPIECA are also running many workshops on these key topics which provide industry focused training for member staff. Although there are no industry recognised qualifications for CSR. There are trainings on human rights and oil spill preparedness but these are generic for all staff of all backgrounds and are not there to develop a profession (IPIECA, 2012).

6.5 Institutionalisation of Members

IPIECA as an organisation is setup to have a secretariat that facilitates sharing and informing members. Therefore it relies on the membership to drive the agenda. Its staff would appear to organise the events and facilitate the partnerships but very much the institutionalisation of CSR is driven from the membership base through the association.

There is little or no coercive activity on a membership level driven by IPIECA but obviously states such as the EU members and US governments are becoming more stringent on Oil & Gas companies. IPIECA works closely with American Petroleum Institute (API) and International Oil & Gas Producer Association (OGP) (IPIECA, 2008) the language suggests strong involvement in resisting coercive means and seeking to establish mimetic and normative means of developing CSR for members.

This is based on observing the lack of assurance and auditing by IPIECA (IPIECA, 2012). Also the language on its reports and website is clearly encouraging and based around principles and aspirations rather than imposing standards or seeking to have a minimum entry level (IPIECA, 2008) (IPIECA, 2009) (IPIECA, 2006). Over an eight year

period the language has not evolved from being anything other than principles and aspirations based. While they encourage members to use the GRI reporting standards and produce sustainability reports it is not compulsory for members (IPIECA, 2005) (IPIECA, 2010). It is difficult to assess what standard members are at as there is no minimum starting point. Obviously the better known industry leading companies do produce sustainability reports but the quality and consistency of these are not assessed or compared just their best practices shared. IPIECA only "encourage their members to report and keep their stakeholders informed" (IPIECA, 2010) To do so in 2010 they produced a guidance on Sustainability reporting document which draws on best practice from the Global Reporting Initiative. They liaise with the global reporting initiative to help standardise the GRI headings for Oil & Gas companies. IPIECA explains the difference between its reporting standards and those of GRI as follows "Differentiation of the two processes, GRI places priority on "process" and has more external engagement (multi-stakeholder, consensus-seeking approach) IPIECA puts higher priority on technical content, precise definitions and protocols, and brings more industry-specific, technical expertise" (IPIECA, 2010).

As covered under institutionalisation in industry, topic related working groups are staffed by members' professional staff from those subject areas. Training events would appear to encourage learning and development on specific topics but they are not consistently run as an academy or with recognised institutes (IPIECA, 2008) (IPIECA, 2009). The industry though would appear to be a long way from having recognised CSR professional bodies such as it has from

petroleum engineering and geology, which have strong associations. IPIECA has nothing aimed as C suite level executives and does not have policies or training aimed at embedding CSR for board level people. This probably reflects the slow evolution of the membership base towards CSR activities.

6.6 Industry Association

a) Leadership

IPIECA is governed by a General Committee of the senior representatives from all IPIECA member companies. It meets once a year at the Annual General Meeting to set the strategic direction, policies and budget for IPIECA. The General Committee is supported by an Executive Committee, which meets three times a year and coordinates and prioritises activities according to the policies and guidelines laid down by the General Committee.

From analysis of the 2011 IPIECA boards members through those who are on LinkedIn and from titles from reports it appears that companies are only represented up to the level of Vice President. The larger international oil companies certainly would have two layers of senior management, Executive Vice President and Executive Committee or Executive board members, above that level (IPIECA, 2011).

b) Membership base

IPIECA has 31 company members comprising of the 6 super majors and 7 of the national oil companies. Through 13 mainly regionally focused association members there is a reach to a further 400 member companies. 548 active members participated with IPIECA. This was

most likely through training seminars, conferences and working groups. Overall its members represent 50% of the world's Oil & Gas production and IPIECA has members operating in every region of the world. From a CSR perspective it has many of the big targets by NGOs such as Total, ExxonMobil, Shell and Chevron (IPIECA, 2011) (Kraemer & Van Tulder, 2009). However it does not have the more high profile National oil companies such as CNPC (Petrochina), Gazprom of Russia, PDvSA of Venezuela and NIOC of Iran (Hoyos, 2007). It does have two Chinese NOCs: CNOOC and the international arm of SINOPEC Addax Petroleum.

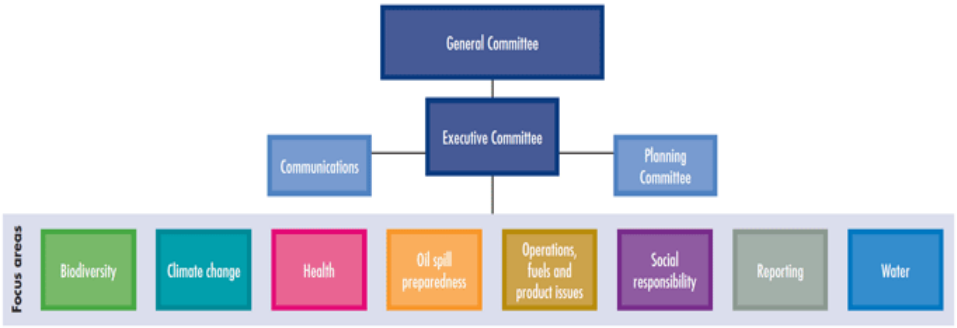
c) Structure

IPIECA employs full time 12 staff and refers to the staff as the secretariat. Most of the CSR work is done via committees and the staff would appear to spend most of their energy communicating best practices, managing events and supporting the working groups.

IPIECA currently has working groups in the following areas: biodiversity; climate; health; preparedness; operations; reporting; social responsibility, and water. There is five staff members assigned as project managers and one project co-ordinator to cover each of the seven working groups. There are a further three staff working in communications and website management.

The structure and job titles show that the organisation is setup to operate as a secretariat for the voluntary membership.

Figure 6.2 Structure of IPIECA



Source: (IPIECA, 2011)

d) Finances

Corporate members contribute to the annual budget according to an individually agreed percentage based on the volume of Oil & Gas produced and petroleum products sold and the number of geographical areas where the company has interests. Association memberships are free the entire income for 2011 was Stg£1.745 million and staff expenditure was Stg£1.2 million.

6.7 Interrelations

It appears from using the conceptual framework that for CSR in the Oil & Gas sector there is a strong preference to encourage and develop codes and standards using mimetic forms. The flow of information from members through the industry association along an incremental change continuum and seeks to inform and encourage. Little or no coercive work comes from the industry association or its members. While obviously they are subject to coercive means from state bodies the members, industry and IPIECA appear to work to mitigate against coercive moves rather than encourage or seek to embed CSR in members, the industry or society.

IPIECA is driven by the consensus of its active members and they appear to be middle management (IPIECA, 2013). The focus therefore

is on operational and technical defining. The flows between the institutionalisation of members and industry are one way from member to industry through the association and there is very little framing of CSR and definition taking place at the Industry level. It does have to be acknowledged that representation at multi stakeholder groups and liaison with GRI and others is done by the association but that appears to be done by members rather than staff (IPIECA, 2006). While stakeholders are engaged through the membership and no doubt listened to very few multi stakeholder organisations that are not run by the United Nations would appear to be engaged with.

Chapter 7 ICMM Case Study

7.1 Introduction

The primary aim of this case study is to analyse the primary industry vehicle for dealing with CSR for the Mining & Metals industry. In establishing the motivations of an industry for tackling CSR this paper looks for both triggers and/or incremental change and chooses the beginning of the industry response and the formation of an industry body to tackle CSR. There are a number of CSR frameworks and there are a number of industry groups but the body with the widest remit and the most comprehensive membership is ICMM. The key feature of IPIECA is that it is an industry association concerned with a breadth of CSR issues.

7.2 Incremental change and discontinuous triggers

The ICMM was officially founded in 2001 specifically as a sustainable development organisation for the Mining industry. However its roots can be traced back to a meeting of nine of the top companies in 1999 which realised that the industry faced significant issues. The industry at the highest levels, as in CEOs of the top nine companies recognised that the industry faced difficulties in "reputation, sustaining profits, access to new assets and maintaining investor and employee confidence" (The Mining, Minerals and Sustainable Development Project, 2002) This led to the Global Mining Initiative being formed in 1999. It was an internal program of reform, a review of the associations they belonged to and an overview of sustainable development issues in the industry. (ICMM, 2012) Through the World Business Council for Sustainable Development (WBCSD) they commissioned the International Institute for

Environment and Development (IIED) to undertake a two year intensive research which was published and is called Breaking New Ground. This formed the blueprint for the work of the ICMM (The Mining, Minerals and Sustainable Development Project, 2002).

The legitimacy of the industry was under threat by public opinion and from NGOs, governments and world opinion leaders. The diamond industry in 2000 met in Kimberley, South Africa and created the Kimberley certification process to try to eliminate the use of diamonds in funding conflicts in sub Saharan African nations in particular in Sierra Leone, Democratic Republic of the Congo, Angola and the Ivory Coast (World Diamond Council, 2011). The issue had been highlighted when the NGO global witness published its report into the role of conflict minerals in the conflict in Angola (Brown, 1998). The speed with which the matter moved from strategic NGO issue to a CSR multi stakeholder framework was remarkable and may have been a trigger to drive the industry into broader action. In 2000 the UN also published the UN Global Compact. This combination of factors could be the discontinuous trigger that led the establishment of the ICMM.

7.3 Key Stakeholders

The ICMM was founded by the CEOs of the top 9 Mining & Metals companies. "In 2002 the Global Mining Institute held a major global conference, Resourcing the Future, held in Toronto, Canada. ICMM member companies signed the Toronto Declaration committing ICMM to continue the work started by the MMSD project and engage in constructive dialogue with key stakeholders".

ICMM has a much focussed set of partnerships with four main bodies:

The Extractive Industries Transparency Initiative (EITI) ICMM companies commit to participating in EITI – a tripartite initiative involving governments, companies and civil society organizations The year 2012 marks the end of the first three-year memorandum of understanding (MOU) between ICMM and EITI. The MOU will be renewed in 2013. ICMM serves as the co-ordinator of the mining company sub-constituency, which includes 29 companies (ICMM, 2012).

Investors In 2012, ICMM focused on engaging with the investor community. Recognizing that investors' views on social and environmental issues are critically important to the mining and metals industry, we reviewed how investment analysts, investment research organizations and the investment press view the social and economic performance of the industry. ICMM also made over 20 presentations to investment houses. Over the past 18 months, there has been an increased interest in ICMM approaches by the investment community that signals a significant change (ICMM, 2012).

Global Reporting Initiative (GRI) ICMM's system of reporting on sustainable development performance is guided by the multi-interest GRI (ICMM, 2012).

Committee for Mineral Reserves International Reporting Standards (CRIRSCO): CRIRSCO is a specialist advisory body for promoting and maintaining best practice in estimating reserves and resources,

World Bank ICMM has been actively interacting with the World Bank Group since its inception. In 2012, a formal MOU was negotiated and is due to be signed in 2013 (ICMM, 2012).

7.4 Institutionalisation of Industry

The institutionalisation of CSR within the Mining & Metals Industry has been planned and deliberate. ICMM has been setup with a deliberate purpose to institutionalise CSR within the industry. In his inaugural speech the then first chairman of ICMM Doug Yearley said "This is the first important step into this new era and is the commitment from the industry to improve performance. Now, the common goal for all parties must be to establish a meaningful framework around which constructive engagement and real progress can occur in the future" (Yearley, 2002). There was a clear intent on the industry working towards sustainable development. The ICMM has used mimetic isomorphism to develop and embed CSR within the industry (The Mining, Minerals and Sustainable Development Project, 2002).

The ICMM has developed its own CSR framework what it calls a sustainable development framework. The framework was developed using expertise and knowledge from the industry but rather than just show casing best practice the ICMM developed the framework from the original project that established the association. "The framework emerged out of the Mining, Minerals, and Sustainable Development project – a two-year consultation process with stakeholders to identify key issues relating to mining and sustainable development – and has been developed continuously since" (ICMM, 2012). While the

framework has a mimetic affect on non members as it raises the bar and creates a standard that will become expected off the industry. It is mainly a coercive tool as it ensures that members must sign up to the standard and to ensure they remain they must continue to improve (ICMM, 2013).

Figure 7.1 ICMM Sustainable Development Framework

The framework ensures commitments via the 10 principles and the companies have to agree to public reporting. This is all underpinned by independent assurance as depicted above in figure 7.1.

The assurance and reporting is overseen by ICMM and this ensures that the industry is taking a progressive role in seeing the normative development of CSR. The presence of the CEOs on the main ruling bodies also shows that there is broad level awareness and understanding and creates a norming for the industry.

7.5 Institutionalisation of Members

The institutionalisation of members in the mining industry would appear to have been begun before the ICMM came into being. Although of course in an arena such as CSR there is constant change and as advanced as the ICMM is there are still continuous issues to be addressed.

The institutionalisation would appear to be happening in all three isomorphism forms among members. There is senior management buy in through the CEOs committee and this sets the policy of the industry body but also has the impact of ensuring that on a member basis CSR that leaders are learning. Professionals and leaders within the companies are also participating in the key working groups where their skills are required.

There is also a strong mimetic affect in the industry with in particular the sharing of good tools and processes. The Anglo American SEAT model is widely used and available (ICMM, 2008). The development of a sustainable development framework by ICMM then leads to the more coercive approach by the industry but arguably a better coercive nature due to it being industry led. While many of these changes were occurring incrementally they were driven ultimately by the Blood diamonds issue which threatened the legitimacy of the Mining & Metals sector (Kraemer & Van Tulder, 2009). The arrival of Cynthia Carroll the first female CEO of a major mining company became a discontinuous trigger as she shut down the company's largest platinum mine due to its record on fatalities it sent shock waves through the company and the Mining & Metals sector. In a way she was the discontinuous trigger and fatalities fell from 40 in 2007 to 15 in 2010. This level is still unacceptable in most parts of society but is a remarkable achievement in the context of one mining company (Carroll C. , 2012).

The publication in the ICMM report of the progress of each company will strengthen that in the area of sustainable reporting and assurance (ICMM, 2008) (ICMM, 2010). .

Through the assurance, reporting and development of the framework there is a strong coercive effect. Mining in particular has very stringent frameworks such as the Kimberley process. This may have to do with the ability of minerals to be used to fund conflicts.

7.6 Industry Association

The key for many processes of CSR institutionalisation is the active participation of industry through a clearly mandated body. The structure and resources of an industry association must also be factors although adequately researching without quantitative analysis would require an extensive level of research.

a) Leadership

ICMM from the very beginning was established by the CEOs of the top nine companies and is today governed by those CEOs in a manner similar to how a company board runs its operations. The ICMM has Directors who look after specific work programs and who are very senior staff. There is a small secretariat who deals with the President and the issues of the council of CEOs. The council of CEOs contains the most senior and experienced people in the industry. The main working groups then have staff with expertise from each of the individual member companies.

The council of CEOs meet three times a year to set the policy and direction of ICMM.

b) Membership base

ICMM has 21company members consisting of International mining companies and national mining companies including 7 of the ten largest companies in Mining & Metals. It has 31 member associations. Through these they reach a further 1500 member companies. Overall its members operate 750 mining sites in 61 countries on every continent. From a CSR perspective it has many of the big targets by NGOs such as De Beers (through its 85% owners Anglo American) and BHP Billiton (Kraemer & Van Tulder, 2009). Critically there is a requirement to pass through a review process to join the ICMM, this is a five step process in short the process includes an independent assessment, and it also requires ongoing assessment. (ICMM, 2011).

c) Structure

In 2001 the board of the metals industry's representative organization, the International Council on Metals and the Environment (ICME) agreed to broaden the group's mandate and transform itself into the International Council on Mining and Metals (ICMM). This created the ICMM, with a secretariat based in London (The Mining, Minerals and Sustainable Development Project, 2002). Today the ICMM employs 25 full time staff and a full time President who has three of those staff as a secretariat for the organisation (ICMM, 2012).

Figure 7.2 Structure of ICMM

Source: (ICMM, 2012)

The organisation direction is set by the council of CEOs this consists of the CEOs of all member companies. There is a principal are three council officers who are all CEOs of their staff and refers to the staff as the secretariat.

Most of the CSR work is done by staff that appears to spend most of their energy engaged in developing codes and standards and ensuring diffusion of these through good communication. Staff are also involved in getting assurance and assessment of member companies to ensure that they are improving their Sustainable development performance.

ICMM currently has working programs in the following areas: reporting and assurance; social and economic development; health and safety; climate change; environmental stewardship; materials stewardship; and communications. There is a director and at least one staff member assigned to each area. There are 5 staff members working in communications and website management. There is three secretariat staff working for the President and two further administration staff.

d) Finances

The total income from the membership base in 2011 was Stg£5.93 million. Association members contributed a hundred thousand pounds. The total spend on salaries was Stg£2.67 million

7.7 Interrelations

The interrelations between the various building blocks of the framework are very structured in the case of the Mining & Metals industry. In essence ICMM is a purpose built industry association and so it becomes a more integral element in the flows between industry and members. With the CEOs of the individual members coming together to lead the organisation the sense of purpose and clarity on the importance of CSR is already clear. There are also very senior staff and an adequate number of them with real expertise leading the main working programmes. This creates professionalism within the industry and allows a greater focus on the main CSR issues. The industry body having a role in the assurance and reporting ensures that there is a continuous linkage between the membership and the industry.

It does appear though that very little CSR issues are being dealt with at a member level and the issue of CSR is being focussed as an industry issue.

Chapter 8 Findings

8.1 Incremental Change and Discontinuous triggers

In the creation of both IPIECA and ICMM there have been key events and triggers mainly where the legitimacy of the industry is being threatened. There is also no doubt that incremental change is occurring in ICMM on an ongoing basis and this is being managed by the ICMM and reported on and encouraged. IPIECA would appear to be much more about incremental and gentle change than ICMM.

ICMM by its very foundations and rapid movement to develop its own framework and many of its initiatives is itself a discontinuous trigger. The primary finding though is that IPIECA was established as a reaction to the movement in the early 1970's towards sustainable development and in particular emphasising environmental issues. ICMM is a more modern creation and was brought about in an incremental and structured manner by more recent events and so was devised as a specific sustainable development organisation. The myriad of recent discontinuous triggers in the Oil & Gas sector have not generated a huge change in emphasis.

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8.2 Key Stakeholders

The main finding in this area is that ICMM appears to be very focused on its key members and a select group of external partners who are key to driving its agenda, It is the main representative of the industry on the Extractive Industries Transparency Initiative, However, rather surprisingly the Oil & Gas industry is represented by its more technically focussed OGP body. Transparency of payments is a critical

issue for CSR in both sectors and this would appear remarkable but may have to do with the very strong environmental focus of IPIECA, The list of stakeholders and bodies IPIECA is dealing with appears huge and unwieldy and possibly much unfocussed especially for such a tightly resourced organisation.

The main finding here is that ICMM is focussed on a handful of critical partnerships and it main focus is on it members. This focus though is on improving performance whereas IPIECAs role is to improve communication flow to help encourage performance improvement. Also the ICMM did have the benefit that at its inception the industry reviewed what bodies it would participate in.

8.3 Institutionalisation of Industry

The key difference between the two industries would appear to be the normative and coercive isomorphisms. IPIECA would appear to want to encourage best practice by communicating about the best, while ICMM also does this. It takes a much more coercive stance by ensuring that there is an industry minimum and so have developed a sign up process for membership. It also has a clear independence from its inception and ability to clearly lead the industry in a set direction. The combination of a two year research project and having the CEOs set the policy has probably driven that.

While the mimetic affects are similar the distinct impression that the printing of progress reports of all members in the annual review gives is that ICMM is driving a stronger agenda of Mimetic affect too.

8.4 Institutionalisation of Members

A very strong mimetic effect has been the sharing of the Anglo American SEAT process for the identification and management of social performance issues for the Mining & Metals sector (Cameron-Johansson, 2013). The author has attended a training seminar within Royal Dutch Shell where SEAT has been acknowledged as the basis for its social performance management system. There is strong recognition of Anglo American success in managing CSR related issues especially in solving health and safety performance (Carroll C. , 2012). The sharing of these codes has helped in bringing on the whole performance of the Mining & Metals sector in social performance. The structure of ICMM allows for the sharing of such a system. Also this has probably led to the formation by the ICMM of sustainable development framework. The origins of this mimetic affect come from different stakeholder groups in particular national governments, communities and employees. Their pressure on improving performance led to the company developing better practices, which in turn forced the company to act. The mimetic affect of leading company achieving better results spurs action from other companies.

The sign up process and compulsory sustainability reporting sets ICMM apart from IPIECA. While IPIECA is equally as encouraging as ICMM it is very apparent that IPIECA is seeking to keep everyone happy and not force reporting and assurance on unwilling members. Ultimately this results in the low common denominator and flies in the face of the introduction of standards and codes which are meant to lift an industry.

8.5 Industry Association Structure

There are monumental differences between the two organisations and they are almost not comparable. The spending power seniority of staff and the leadership of ICMM far outweigh that of IPIECA. Yet in industry sector terms Oil& Gas is more significant than Mining & Metals.

a) Leadership

The ICMM is lead by the CEOs of the members, where as IPIECA is led by middle management of its membership.

b) Membership base

The two industries are of different sizes and therefore it would be expected that IPIECA would have more members than ICMM. However, ICMM through its association members would appear to have a much greater reach than IPIECA.

c) Structure

IPIECA is structured as a secretariat to facilitate the members' staff who wishes to participate on these issues. ICMM on the other hand is structured as a purpose built body to lead the industry on CSR issues. The key finding here is that ICMM has almost double the staff that IPIECA have. Also while ICMM also provide a secretariat it has most of its resources concentrated on working programs that are being driven by Directorate level ICMM staff.

d) Finances

Both are based in the UK and so the comparison due to having staff costs in the same jurisdiction and having the same currency were much easier. ICMM has double the staff and more senior staff and therefore its staff costs are more than double at Stg£1.2 million and Stg£2.67 million respectively. The gap in income is staggering as IPIECA has Stg£1.7 million and ICMM has Stg£5.93 million. ICMM spend less than half its money on staff costs were as IPIECA spend almost 70% of its income. ICMM spends significant amounts of money resourcing its work programmes.

8.6 Conclusions

The comparison is between ICMM a purpose built organisation sustainable development organisation that has been well resourced and researched and IPIECA an organisation that was setup for another purposed almost forty years ago and is not as well resourced or focussed.

Strategically ICMM exists to improve the industries performance in sustainability and polices and in so doing puts pressure on its membership to improve its performance. IPIECA does not have the leadership backing or trust of its membership to allow itself develops in the same manner. It is primarily a communications vehicle for good practices.

In conclusion a purpose built body that has been sufficiently researched and has proper resources will assist greatly in diffusing codes and standards throughout an industry. While another body that

is not so structured can and does serve a purpose the performance level is sub optimal. It also cannot be a coercive force in encouraging compliance on CSR issues,

Chapter 9 Discussion and Conclusion

9.1 Limitations of Research and Further Research

Detailed independent analysis of the history and workings of the two groups IPIECA and ICMM was difficult to find. Despite the industries being the subject of much public discourse and scrutiny there are limited analysis of these two industry bodies.

While it appears obvious that ICMM is a better body for CSR issues that IPIECA an interesting study would be to compare the Non CSR performances of the two industries. In other words have the members benefitted.

Quantitative research is probably required to understand how the standards and codes have helped the industries. A big question is the performance of the mining sector post ICMM versus the performance of Oil & Gas

Essentially the approach of what each sector does differently or what they do that is similar. It is also not possible in the confines of this research but may be a further area to be considered to take a multi stakeholder approach to quantifying the reaction of different actors to the industry levels approaches.

During an interview with a leader in the mining sector she opined that many of the best project managers she knew were very religious not belonging to one particular denomination but were devout followers. Given the moral basis argument for CSR I see a limitation in this

research being that we cannot examine the non work motivations of employees.

9.2 Research Objectives

This clearly sends out a clear message to staff in companies and other stakeholders. CSR is a serious issue for the Mining & Metals industry and their leaders are engaged in it.

The key objectives of the research are to research the questions:

What are the roles of industry associations in developing CSR codes or norms in the extractive industries?

This paper has adequately researched and found that they are a key voice and enabler in development and refinement of codes and standards the difference though is in approach of groups and whether they are an enabler or a spoiler for the development of codes and standards. . ICMM has been largely successful in doing this by developing its own standards and by enforcing them. It could also be argued that it has only gotten there a decade after it was specifically setup to achieve it. The other side of the coin is IPIECA and it would appear to exist to this day as a bumper to protect the Oil & Gas industry members from a full frontal assault by environmental NGOs and partners under the UNEP umbrella. In that sense IPIECA can be seen as a blocker to progress. However it is abundantly clear that in all cases the industry body is the critical voice of the industry and indeed the body which must be convinced for the industry to follow suit. The strategic approaches of using membership associations as enablers versus using them as lobbyists to thwart more aggressive and

ambitious CSR activity is one which each industry must of itself decide. This paper cannot fully determine whether IPIECA and by extension the Oil & Gas industries stance is different due to inertia or lack of leadership. Indeed it may be that a firm based view is still been taken by the Oil & Gas industry.

- Analyse the similarities and differences between IPIECA and ICMM, the CSR associations of Oil & Gas and Mining & Metals industries respectively;

  This paper has proven there are vast differences between the strategic intent and leadership. The resourcing, focus, historical context and the reputation are all very different. While both bodies should be comparable and the issues they deal with are comparable they have gone down different paths. The major issue goes back to the industry leaders making adequate resources available and the intent with which the organisation was setup.

- Assess the role of industry associations in the process of developing codes and standards at sector level, and how these are subsequently adopted and institutionalised by companies;

  ICMM has proven that an industry body can develop, enforce and educate on codes and standards. IPIECA is making progress but it appears unwilling to provide the step change that may be required to spur the industry into action. This may be due to the seniority of leaders participating in IPIECA.

- Assess the implications of the approaches taken by ICMM and IPIECA to promoting codes and standards of responsible business practice within their respective industries.

An organisation setup with the intent purpose of focusing on CSR is better than one which evolves. Not to be confused with incremental change versus revolution. A development by an industry of a specific body to deal with an emerging institution such as CSR gives you more credibility. Hence ICMM has a good reputation and IPIECA is not seen as being that strong. Furthermore, it appears that the negativity towards the mining sector from NGOs has dissipated and it is focussed on finding workable solutions. That does not mean all issues have disappeared but that they are now gone beyond lurching from crisis to crisis and are able to focus on the management of individual projects. The Oil & Gas sector appears to be a long way from that given the current controversy over drilling in the Arctic and fracking. Mining is also moving into arctic regions and has water pollution issues but there appears to be less focus on them.

9.3 Conclusion

The key recommendations of this research are mainly in favour of ICMM and for a reform or replacement of IPIECA:

1. An industry should develop a special purpose association to deal with CSR issues.
2. Such an organisation is a good means of restoring legitimacy especially if it seeks to develop and diffuse codes and standards.
3. The body prior to being established should research its key stakeholders and issues.

4. The body should be properly resourced and have senior qualified staff employed.
5. The level of leadership that the industry gives is essential and if possible a CEO led committee should set the direction and policies.
6. The body should review its stakeholders and associations and focus on the most important and relevant to its industry.

In conclusion it appears that the Oil & Gas sector is not well served by its current approach to CSR. IPIECA is neither resourced, focussed or being led for the proper development and diffusion of codes and standards a key component of the institutionalisation of CSR. Macondo aside it seems that the industry needs a blood diamonds moment to finally make its leadership come together. In essence CSR in the Oil & Gas industry appears to be more than a decade behind Mining & Metals.

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APPENDICES

Appendix 1. Differences between Oil& Gas and Mining & Metals

Source: Internal Shell document

Industry	Characteristics	Implications for Management
Mining	Large land take, often resulting in significant physical and economic displacement of communities Massive physical and environmental footprint Large local workforce requirements, resulting in 'outside the fence' and 'inside the fence' problems being more closely connected Due to comparatively large and intensive physical, environmental and social footprint, mines have to invest much more significant resources in managing SP related issues and conflicts. One reflection of this is that the average mine has a relatively large community relations staff Major mining companies have a relatively small number of major assets (60-100) compared to an Oil & Gas company, which can have hundreds of major upstream and downstream locations	High volume of complaints A large proportion of complaints will be med-high severity and require significant resources to resolve Complaints are likely to range across a wide range of issues Relatively high prevalence of labour related complaints Consequently, major mining sites may require a very robust procedure with one or more full time staff dedicated to processing grievances
Upstream Oil & Gas – Exploration	Exploration activities are by definition uncertain, so the company presence at this stage is minimal Exploration activities such as seismic and drilling are predominantly carried out by contractors. Depending on the circumstances, there may or may not be a full time company staff member to handle community relations Temporary use of land Light physical and environmental footprint	Given the light footprint and temporary nature of the activity, the volume and severity of complaints may in some cases be relatively low There may or may not be a dedicated CLO to handle community relations. Consequently this responsibility may need to fall to another member of staff or directly to the contractor GM may not have a lot of resource – a leaner model may be required
Upstream Oil & Gas - Projects	Project construction activities often involve significant temporary and permanent impacts Permanent land take for facilities and temporary land take for construction uses Potential for significant environmental and social impacts Multiple contractors on site	As the project phase is when Oil & Gas activities tend to have the most severe impacts, there will be a high volume of complaints, with a large proportion being med-high severity Increased staffing and other resources may be needed to cope with expected volume of complaints Increased potential for labour related grievances There may be a need to co-ordinate among multiple contractor interfaces
Upstream Oil & Gas - Operations	Moderate physical footprint. Small amount of land take for well pads and facilities.	Depending on the footprint of the operation and impacts on communities, there is

	Unlike mining, which has to dig where the minerals are found, Oil & Gas can locate facilities to minimise surface disruption. This can often allows them to avoid potential impacts altogether Many activities are undertaken by contractors	ongoing potential for a medium to high volume of complaints Composition of complaints may shift compared to project phase (e.g. fewer labour related complaints) There will usually be fewer CLOs than during the project phase.
Downstream (Refining)	Small land take, usually limited to the plant and export facilities (which may be shared with other operators) Most established refinery sites are 50-100 years old, with generally settled relationships with neighbours Many refineries are established in industrial zones and may or may not have fence line neighbours Refineries are often considered valued local employers, supporting potentially hundreds of jobs Refineries operate on extremely thin margins and often swing in and out of profitability, so staffing levels tend to be extremely lean A single person may be responsible for media, government relations and community	Complaints are relatively low in volume and low severity Most complaints are related to nuisances (odours, dust, traffic, noise, unplanned flaring) Particularly in industrial zones, it can be difficult to identify the source of a complaint (e.g. noise) Responsibility for complaint handling may be shared with a local regulatory authority which is empowered to receive all complaints on behalf of an industrial zone and investigate accordingly GM will not have a lot of resource – a leaner model may be required

Appendix 2 – CSR Frameworks for Extractive Industries

"Listed below are a number of voluntary standards, principles, and frameworks for companies interested in adopting internationally-recognized policies on corporate social responsibility. Some of these standards are specifically focused on the extractive industry, like the Extractive Industries Transparency Initiative, and the International Council on Mining & Metals' (ICMM) Sustainable Development Framework."

CSR Framework	Description
AccountAbility	"AccountAbility's principles-based standards, the AA1000 series, provide the solution to building trusted, accountable and transformative relationships. Our standards are developed through a multi-stakeholder consultation process which ensures they are written for those they impact, not just those who may gain from them."
Good Company Guidelines	The GoodCompany Guidelines "are a practical tool to enable companies to assess, improve and report on their social, environmental and financial performance. By using the Good Company Guidelines, companies can pinpoint their performance gaps, develop policies to address them and report back to stakeholders."
Carbon Disclosure Project	"The Carbon Disclosure Project is an independent not-for-profit organization holding the largest database of primary corporate climate change information in the world."
Ceres Principles	The Ceres Principles are " a 10-point code of corporate environmental conduct to be publicly endorsed by companies as an environmental mission statement or ethic. Imbedded in that code of conduct was the mandate to report periodically on environmental management structures and results."
The Equator Principles	The Equator Principles are "a financial industry benchmark for determining, assessing, and managing social and environmental risk in project financing."
Extractive Industries Transparency Initiative (EITI)	"The EITI is a global standard that promotes revenue transparency. It has a robust yet flexible methodology for monitoring and reconciling company payments and government revenues at the country level. The process is overseen by participants from the government, companies and national civil society. The EITI Board and the International Secretariat are the guardians of the EITI methodology internationally."
Global Reporting Initiative (GRI)	"The Sustainability Reporting Framework provides

	guidance for organizations to disclose their sustainability performance. [...] It facilitates transparency and accountability by organizations and provides stakeholders a universally-applicable, comparable framework from which to understand disclosed information."
The Good Corporation Standard	A for-profit organization that assesses companies against the Good Corporation Standard or against a company's own CSR policy framework.
International Council on Mining & Metals (ICMM) Sustainable Development Framework	"The Sustainable Development Framework comprises three elements - a set of 10 principles (including a set of supporting position statements), public reporting, and independent assurance - each approved by our CEO-led Council. The Framework has been developed systematically since the formation of ICMM in 2001, with its foundations in the Mining, Minerals, and Sustainable Development (MMSD) project."
International Federation for Human Rights(FIDH) Corporate Accountability for Human Rights Abuses	"A guide for victims and NGOs on recourse mechanisms in cases of corporate-related human rights violations. The guide was launched in Amsterdam on the occasion of a public debate on corporate justice held in collaboration with the Business and Human Rights Resource Centre and OECD Watch and with the participation of experts such as Olivier De Schutter, UN Special Rapporteur on the right to food, author of the guide's foreword and former FIDH Secretary General and Katherine Gallagher, Attorney of the Centre for Constitutional Rights and FIDH Vice-President."
International Standards Organization (ISO) ISO26000 Advisory Guidelines for Social Responsibility	The proposed standard will "assist organizations in addressing their social responsibilities while respecting cultural, societal, environmental and legal differences and economic development conditions." It aims to "provide practical guidance related to operationalizing social responsibility, identifying and engaging with stakeholders, and enhancing credibility of reports and claims made about social responsibility."
Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises	"The guidelines are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide voluntary principles and standards for responsible business conduct in a variety of areas including employment and industrial relations, human rights, environment,

	information disclosure, combating bribery, consumer interests, science and technology, competition, and taxation."
OECD Principles of Corporate Governance	"The Principles are intended to assist OECD and non-OECD governments in their efforts to evaluate and improve the legal, institutional and regulatory framework for corporate governance in their countries, and to provide guidance and suggestions for stock exchanges, investors, corporations, and other parties that have a role in the process of developing good corporate governance."
Principles for Responsible Investment (PRI)	PRI is "an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact." The Principles for Responsible Investment provide the framework to address "a growing view among investment professionals that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios."
Social Accountability International	"SA8000 is an international standard for improving working conditions. Based on the principles of thirteen international human rights conventions, it is a tool to help apply these norms to practical work-life situations."
Transparency International Business Principles for Countering Bribery	"The Business Principles for Countering Bribery were originally developed through an extensive multi-stakeholder process involving companies, non-governmental organizations and trade unions as a tool to assist enterprises to develop effective approaches to countering bribery in all of their activities."
UN Global Compact	"The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption."
The Voluntary Principles on Security & Human Rights	The Voluntary Principles on Security and Human Rights "provide guidance to extractives companies on maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. The Voluntary Principles are the only human rights guidelines designed specifically for oil, gas, and mining companies."

Source: (Canadian Institute of Mining, Metallurgy and Petroleum (CIM), 2012)

Appendix 3 ICMM 10 Principles

10 principles

Since 2003, ICMM's Council has adopted a number of position statements that give greater clarity to some of the commitments of the 10 principles.

In May 2003, ICMM's CEO-led Council committed member companies to implement and measure their performance against 10 sustainable development principles.

They are based on the issues identified in the Mining, Minerals and Sustainable Development project and were benchmarked against leading international standards, including the Rio Declaration, the Global Reporting Initiative, the Global Compact, OECD Guidelines on Multinational Enterprises, World Bank Operational Guidelines, OECD Convention on Combating Bribery, ILO Conventions 98, 169, 176, and the Voluntary Principles on Security and Human Rights.

The 10 principles

01. Implement and maintain ethical business practices and sound systems of corporate governance.

02. Integrate sustainable development considerations within the corporate decision-making process.

03. Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.

04. Implement risk management strategies based on valid data and sound science.

05. Seek continual improvement of our health and safety performance.

06. Seek continual improvement of our environmental performance.

07. Contribute to conservation of biodiversity and integrated approaches to land use planning.

08. Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.

09. Contribute to the social, economic and institutional development of the communities in which we operate.

10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

Principle 1.

Implement and maintain ethical business practices and sound systems of corporate governance.

Develop and implement company statements of ethical business principles, and practices that management is committed to enforcing implement policies and practices that seek to prevent bribery and corruption comply with or exceed the requirements of host-country laws and regulations work with governments, industry and other stakeholders to achieve appropriate and effective public policy, laws, regulations and procedures that facilitate the mining, minerals and metals sector's contribution to sustainable development within national sustainable development strategies.

Principle 2.

Integrate sustainable development considerations within the corporate decision-making process.

Integrate sustainable development principles into company policies and practices plan, design, operate and close operations in a manner that enhances sustainable development implement good practice and innovate to improve social, environmental and economic performance while enhancing shareholder value encourage customers, business partners and suppliers of goods and services to adopt principles and practices that are comparable to our own provide sustainable development training to ensure adequate competency at all levels among our own employees and those of contractors support public policies and practices that foster open and competitive markets.

Principle 3.

Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.

Ensure fair remuneration and work conditions for all employees and do not use forced, compulsory or child labour provide for the

constructive engagement of employees on matters of mutual concern implement policies and practices designed to eliminate harassment and unfair discrimination in all aspects of our activities ensure that all relevant staff, including security personnel, are provided with appropriate cultural and human rights training and guidance minimize involuntary resettlement, and compensate fairly for adverse effects on the community where they cannot be avoided respect the culture and heritage of local communities, including Indigenous Peoples.

Principle 4.

Implement risk management strategies based on valid data and sound science.

Consult with interested and affected parties in the identification, assessment and management of all significant social, health, safety, environmental and economic impacts associated with our activities ensure regular review and updating of risk management systems inform potentially affected parties of significant risks from mining, minerals and metals operations and of the measures that will be taken to manage the potential risks effectively develop, maintain and test effective emergency response procedures in collaboration with potentially affected parties.

Principle 5.

Seek continual improvement of our health and safety performance.

Implement a management system focused on continual improvement of all aspects of operations that could have a significant impact on the health and safety of our own employees, those of contractors and the communities where we operate take all practical and reasonable measures to eliminate workplace fatalities, injuries and diseases among our own employees and those of contractors provide all employees with health and safety training, and require employees of contractors to have undergone such training implement regular health surveillance and risk-based monitoring of employees rehabilitate and reintegrate employees into operations following illness or injury, where feasible.

Principle 6.

Seek continual improvement of our environmental performance.

Assess the positive and negative, the direct and indirect, and the cumulative environmental impacts of new projects – from exploration through closure implement an environmental management system focused on continual improvement to review, prevent, mitigate or ameliorate adverse environmental impacts rehabilitate land disturbed or occupied by operations in accordance with appropriate post-mining land uses provide for safe storage and disposal of residual wastes and process residues design and plan all operations so that adequate resources are available to meet the closure requirements of all operations.

Principle 7.

Contribute to conservation of biodiversity and integrated approaches to land use planning.

Respect legally designated protected areas disseminate scientific data on and promote practices and experiences in biodiversity assessment and management support the development and implementation of scientifically sound, inclusive and transparent procedures for integrated approaches to land use planning, biodiversity, conservation and mining.

Principle 8.

Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.

Advance understanding of the properties of metals and minerals and their life-cycle effects on human health and the environment conduct or support research and innovation that promotes the use of products and technologies that are safe and efficient in their use of energy, natural resources and other materials develop and promote the concept of integrated materials management throughout the metals and minerals value chain provide regulators and other stakeholders with scientifically sound data and analysis regarding our products and operations as a basis for regulatory decisions support the development of scientifically sound policies, regulations, product standards and

material choice decisions that encourage the safe use of mineral and metal products.

Principle 9.

Contribute to the social, economic and institutional development of the communities in which we operate.

Engage at the earliest practical stage with likely affected parties to discuss and respond to issues and conflicts concerning the management of social impacts ensure that appropriate systems are in place for ongoing interaction with affected parties, making sure that minorities and other marginalized groups have equitable and culturally appropriate means of engagement contribute to community development from project development through closure in collaboration with host communities and their representatives encourage partnerships with governments and non-governmental organizations to ensure that programs (such as community health, education, local business development) are well designed and effectively delivered enhance social and economic development by seeking opportunities to address poverty.

Principle 10.

Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

Report on our economic, social and environmental performance and contribution to sustainable development provide information that is timely, accurate and relevant engage with and respond to stakeholders through open consultation processes.

Appendix 4 Members of IPIECA

Association members

Source: (IPIECA, 2013)

Appendix 5 Members of ICMM

Member Associations:

Cámara Argentina de Empresarios Mineros (CAEM);Cámara Asomineros Andi – Colombia:Cámara Minera de México (CAMIMEX);Cámara Minera de Venezuela (CAMIVEN);Chamber of Mines of South Africa; Chamber of Mines of the Philippines; Chamber of Mines of Zambia; Cobalt Development Institute; ; Consejo Minero de Chile A.G.;Eurometaux;Euromines;Federation of Indian Mineral Industries;Ghana Chamber of Mines; Instituto Brasileiro de Mineraçao;International Aluminium Institute;International Copper Association (ICA);International Iron Metallics Association;International Lead Association;International Manganese Institute; International Molybdenum Association (IMOA);International Wrought Copper Council;International Zinc Association;ITRI;Japan Mining Industry Association;Minerals Council of Australia;Mining Association of Canada;Mining Industry Associations of Southern Africa (MIASA);National Mining Association (NMA) – USA;Nickel Institute;Prospectors and Developers Association of Canada;Sociedad Nacional de Minería (SONAMI) – Chile;Sociedad Nacional de Minería, Petróleo y Energía (SNMPE) – Peru;World Coal Association;World Gold Council

Source: (ICMM, 2013)