

**School of Management**

**The Role of CSR in Risk Management: A Case Study of the  
Extractives Industry in Australia**

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of  
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## Declaration

To the best of my knowledge and belief, this thesis contains no material previously published by any other person except where due acknowledgement has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

**Human Ethics** (For projects involving human participants/tissue, etc). The research presented and reported in this thesis was conducted in accordance with the National Health and Medical Research Council National Statement on Ethical Conduct in Human Research (2007) – updated March 2014. The proposed research study received human research ethics approval from the Curtin University Human Research Ethics Committee (EC00262), Approval Number #... HREC 2019-0037

Signature: .....

Date: .....



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## **Abstract**

To date, the contribution of corporate social responsibility (CSR) activities has mainly been assessed through a company's reputation, with little consideration given to investigating if there are other beneficial impacts between CSR and other business practices, particularly risk management. This research investigates the role of CSR in risk management in the extractives industry in Australia and develops mechanisms that enhance the value of businesses by leveraging the positive aspects of CSR. CSR and risk in the extractives sector in Australia were selected for research because this sector deploys separate programs for managing risk and CSR and is a large contributor to the Australian economy. Furthermore, the contributory effect is bi-directional; CSR adds to risk management and at the same time risk management activities support CSR activities as shown by recent corporate failures when this is not considered. This research adopted a pragmatism paradigm, incorporating both quantitative and qualitative studies. A survey was self-administered online to CSR and risk practitioners followed by interviews. The findings demonstrate that CSR is a critical part of risk management and demonstrates a link between business success, CSR as social value, and risk management. Theoretically, the study contributes to CSR literature by demonstrating that CSR is a possible process for holistic risk management. Practically, the study provides managerial implications indicating that CSR should not be viewed in isolation from other management practices, particularly risk management. The results suggest that organisations should consider optimising the integration of CSR and risk management in the Australian extractives sector to maximise value creation.

# Table of Contents

Declaration.....	iii
Acknowledgements.....	v
Abstract.....	vii
List of Tables .....	xiv
List of Figures .....	xvi
Abbreviations .....	xviii
Chapter 1 Introduction .....	1
1.1 Setting the Scene .....	1
1.2 Rationale and Importance of Research .....	9
1.3 Research Aims, Questions, and Objectives .....	10
1.3.1 Aims.....	10
1.3.2 Research Questions and Research Objectives .....	11
1.4 Contribution to Knowledge .....	12
1.5 Dissertation Structure .....	13
Chapter 2 CSR: Background and Rationale .....	16
2.1 Introduction.....	16
2.2 Emergence and Evolution of CSR.....	16
2.2.1 History and Development of CSR .....	16
2.2.2 Pyramid of Responsibilities.....	20
2.2.3 The Term CSR and its Definition .....	25
2.3 CSR Approaches.....	28
2.3.1 Stakeholder theory.....	28
2.3.2 Agency theory.....	34
2.3.3 Stewardship theory .....	39
2.3.4 Legitimacy theory.....	42
2.4 Arguments For and Against CSR .....	48
2.4.1 Arguments in Favour of CSR .....	48
2.4.2 Arguments Against CSR.....	51
2.5 Critical Success Factors.....	54
2.5.1 CSR Drivers and Motivators .....	54

2.5.2 CSR Barriers.....	55
2.6 CSR and Sustainability Standards .....	56
2.6.1 Global Reporting Initiative.....	57
2.6.2 United Nations Global Compact.....	57
2.7 CSR in the Extractives Sector .....	58
2.8 Implementation of CSR and the Board of Directors.....	63
2.8.1 Board of Directors and CSR .....	63
2.9 Conclusion.....	67
Chapter 3 Risk Management .....	70
3.1 Introduction.....	70
3.2 History of Risk Management .....	70
3.3 Types of Business Risk .....	73
3.3.1 Strategic Risk.....	74
3.3.2 Operational Risk .....	74
3.3.3 Reputational Risk.....	75
3.3.4 Compliance or Regulatory Risk .....	75
3.3.5 Financial Risk .....	76
3.4 Risk Management Process.....	76
3.4.1 Risk Strategy .....	76
3.4.2 Risk Management Process .....	77
3.5 Enterprise Risk Management .....	82
3.5.1 COSO's Three Lines of Defence Model.....	83
3.6 Factors Affecting Enterprise Risk Management .....	85
3.7 Risk Management and the Board of Directors.....	87
3.8 Conclusion.....	88
Chapter 4 CSR and Risk Management in the Extractives Sector .....	90
4.1 Introduction.....	90
4.2 ESG, Risk Management, and the Extractives Sector .....	90
4.2.1 ESG and Strategic Risk .....	94
4.2.2 ESG and Operational Risk.....	97
4.2.3 ESG and Reputational Risk .....	100

4.2.4 ESG and Compliance Risk .....	102
4.2.5 ESG and Financial Risk .....	103
4.3 Conceptual Framework for ESG and Risk Management .....	105
4.4 Conclusion.....	107
Chapter 5 Methodology.....	111
5.1 Introduction.....	111
5.2 Methodology Philosophy .....	111
5.2.1 Epistemology and Ontology in Business Research .....	111
5.2.2 Research Paradigms .....	114
5.3 Research Setting.....	116
5.4 Ethical Considerations.....	116
5.5 Research Approach and Design.....	119
5.5.1 Explanatory Mixed Methods Research .....	119
5.5.2 Research Design .....	123
5.5.3 Method Weighting.....	130
5.5.4 Integration of Methods .....	130
5.5.4.1: Study Design Level Integration .....	130
5.5.4.2: Integration at Methods Level.....	131
5.5.4.3: Integration at the Interpretation and Reporting Level.....	132
5.5.4.4: The “Fit” of Data Integration.....	132
5.6 Phase 1: Survey.....	133
5.6.1 Survey Design .....	133
5.6.2 Survey Questions .....	135
5.6.3 Survey and Data Collection .....	138
5.7 Phase 2: Interviews.....	140
5.7.1 Sample Interview and Data Collection .....	140
5.8 Data Processing and Analysis.....	149
5.8.1 Survey Data Processing .....	149
5.8.2 Qualitative Data Processing.....	149
5.8.3 Data Analysis Approaches.....	150
5.8.4 Quantitative Data Analysis: Survey.....	150

5.8.5 Qualitative Data Analysis: Interviews .....	151
5.9 Research Challenges .....	155
5.9.1 Trustworthiness of Mixed Methods Research .....	155
5.9.2 Problem of Social Desirability Bias .....	158
5.9.3 Validity and Rigour.....	159
5.10 Conclusion.....	162
Chapter 6 Phase 1: Quantitative Data Analysis – Survey .....	164
6.1 Introduction.....	164
6.2 Response Rate.....	165
6.3 Reliability and Validity Tests.....	166
6.4 Descriptive Analysis of Questionnaire Data .....	167
6.4.1 Nature and Characteristics of CSR .....	168
6.4.2 Critical Success Factors .....	181
6.4.3 Risk Management in the Extractives Industry in Australia .....	184
6.4.4 Role of CSR in Risk Management .....	193
6.5 Identified Areas for Further Research .....	201
6.6 Conclusion: Summary of Key Findings.....	202
Chapter 7 Phase 2: Qualitative Data Analysis – Interviews .....	206
7.1 Introduction.....	206
7.2 Rationale for Interviews: Augmentation .....	206
7.2.1 Development of Interview Questions .....	208
7.3 Interview Analysis Themes.....	208
7.3.1 Theme Development: Content Analysis.....	211
7.3.2 Participant Role .....	211
7.3.3 Inter-Rater Reliability Check .....	212
7.4 Findings.....	212
7.4.1 CSR in the Extractives Industry in Australia.....	216
7.4.2 Critical Success Factors .....	225
7.4.3 Risk Management in the Extractives Industry in Australia .....	232
7.4.4 The Role of CSR in Risk Management .....	237
7.5 Conclusion: Summary of Key Findings.....	254

Chapter 8 Discussion.....	259
8.1 Introduction.....	259
8.2 Summary of Findings .....	260
8.3 The Nature of CSR in the Extractives Industry in Australia .....	263
8.3.1 Integrating findings .....	263
8.3.2 Reflecting on Literature.....	266
8.4 Critical Success Factors.....	271
8.4.1 Integrating findings .....	271
8.4.2 Reflecting on Literature.....	273
8.5 Risk Management in the Extractives Industry.....	275
8.5.1 Integrating findings .....	275
8.5.2 Reflecting on Literature.....	278
8.6 The Role of CSR in Risk Management.....	282
8.6.1 Integrating findings .....	282
8.6.2 Reflecting on Literature.....	286
8.7 Conclusion.....	292
Chapter 9 Conclusion .....	294
9.1 Introduction.....	294
9.2 Contribution to Theory.....	294
9.3 Contribution to Practice .....	303
9.4 Study Limitations .....	305
9.5 Directions for Future Research.....	306
9.6 Conclusion.....	307
References .....	308
Appendix 1: PHD Timeline.....	346
Appendix 2: E-mail invitation to complete survey.....	347
Appendix 3: Survey Questionnaire.....	348
Appendix 4: Interview Invitation .....	355
Appendix 5: Interview Guide and Questions .....	356
Appendix 6: Interviewee selection.....	358
Appendix 7: Participant Consent Form .....	359

Appendix 8: Participant Information Form.....	360
Appendix 9: “Other” Respondent Departments.....	363
Appendix 10: NVIVO Extract.....	364
Appendix 11: NVIVO Word Cloud Extract.....	365
Appendix 12: List of Major incidents in the Extractives industry in Australia .....	366

## List of Tables

Table 1.1: Incidents in the Extractives Sector in Australia .....	8
Table 2.1: Theoretical approaches and their contribution to CSR and risk .....	47
Table 2.2: CSR Drivers .....	55
Table 3.1: Risk Categories and How to Manage Them.....	77
Table 4.1: ESG and risk management in the extractives sector .....	93
Table 5.1: Methods of Acquiring Knowledge.....	113
Table 5.2: Research Paradigm Adopted in this Study.....	116
Table 5.3: Research Setting Justification.....	116
Table 5.4: Integration Approaches.....	131
Table 5.5: Trustworthiness in Research Methods.....	156
Table 6.1: Status of Survey and Number of Respondents.....	165
Table 6.2: Strength of Internal Consistency Using Cronbach's Alpha.....	166
Table 6.3: Reliability and Validity Tests .....	167
Table 6.4: Crosstab of Primary Industry Versus Operation Location .....	172
Table 6.5: Public Listings .....	175
Table 6.6: Benefits of CSR .....	182
Table 6.7: CSR Drivers .....	182
Table 6.8: CSR Barriers.....	183
Table 6.9: Risk Management is Very Important to My Company and Primary Industry .....	186
Table 6.10: Benefits of Risk Management .....	187
Table 6.11: Top barriers of risk management .....	189
Table 6.12: Organisational Risk Management Effectiveness.....	191
Table 6.13: Ranking of risk type affecting organisation.....	192
Table 6.14: Crosstab of Risk Management Strategy Versus CSR Understanding .....	197
Table 6.15: Crosstab of Risk Management Strategy Versus CSR Program .....	197
Table 6.16: Crosstab of CSR Impact on Risk Management Against Overall Risk Appetite.....	200
Table 7.1: Codes and Themes from the Literature Survey and Interviews .....	210

Table 7.2: Main Elements in Telling the Story (Development of Theme 7) .....	211
Table 7.3: Worked Example from Research Question, Interview Question, and Codes to Theme Development .....	213
Table 7.4: Research Questions and Themes.....	215
Table 7.5: Business Impacts of CSR .....	217
Table 8.1: Summary of Survey Results.....	261
Table 9.1: CSR contribution to different stages of risk management .....	305

## List of Figures

Figure 1.1: Venn Diagram Showing the Research Conceptual Framework and Study Delimitation .....	5
Figure 2.1: Pyramid of Responsibilities .....	20
Figure 2.2: The Three-Domain Model of Corporate Social Responsibility .....	23
Figure 2.3: The International Standards, Guidance, and Principles for Social Responsibility Commonly Mentioned in the Extractives Industry Literature .....	56
Figure 2.4: UN Sustainable Development Goals .....	58
Figure 3.1: History of Risk Management .....	71
Figure 4.1: Proposed interaction between CSR and Risk Management. ....	106
Figure 5.1: Onion Diagram Summarising Research Methodology .....	112
Figure 5.2: Research Flowchart of the Basic Procedures in Implementing an Explanatory Mixed Methods Research Design Followed in this Study.....	126
Figure 5.3: Visual model for the Mixed Methods Sequential Explanatory Design Procedures .....	129
Figure 6.1: Respondent Primary Industries.....	169
Figure 6.2: Company has CSR Program .....	169
Figure 6.3: CSR Understanding .....	170
Figure 6.4: Company Operations Locations.....	170
Figure 6.5: Operator or Service Provider .....	171
Figure 6.6: Respondent Departmental Roles.....	173
Figure 6.7: Respondent Positions .....	173
Figure 6.8: Respondent Positions versus Gender .....	174
Figure 6.9: Respondent Qualifications .....	174
Figure 6.10: Total Number of Employees .....	175
Figure 6.11: Company Annual Revenue .....	176
Figure 6.12: Reporting Standards .....	176
Figure 6.13: Risk Management is Very Important to my Company .....	185
Figure 6.14: Maturity of Company's Risk Management Strategy .....	188
Figure 6.15: Mean of Organisational Effectiveness in Risk Management.....	190
Figure 6.16: CSR is an Integral Part of Risk Management in my Organisation.	193

Figure 6.17: CSR Plays a Positive Role in Managing the Following Risks in my Organisation .....	194
Figure 6.18: CSR Impact on Attitude .....	194
Figure 6.19: Integration of CSR and Risk Management.....	195
Figure 6.20: Factors that Promote CSR Integration and Risk Management .....	195
Figure 6.21: CSR has a Positive Impact on Risk Management .....	196
Figure 7.1: Research Theme Model.....	209
Figure 7.2: CSR Drives Risk Management Innovation.....	246
Figure 8.1: Summary of Interview Results (Interaction Between the Themes) .	263
Figure 9.1: Framework for Impact of CSR in Risk management.....	299
Figure 9.2: Proposed Integration Framework for CSR and Risk Management (Hybrid) .....	301

## Abbreviations

<b>Abbreviation</b>	<b>Definition</b>
ABS	Australian Bureau of Statistics
ALARP	As low as reasonably practicable
AICD	Australian Institute of Company Directors
APPEA	Australian Petroleum Production & Exploration Association
ASX	Australian Securities Exchange
CAQDAS	Computer-assisted qualitative data analysis software
CEO	Chief Executive Officer
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRC-TIME	Cooperative Research Centre for Transformations in Mining Economies
CSF	Critical Success Factor
CSG	Coal seam gas
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CSR2	Corporate Social Responsiveness
EHS	Environmental health and safety
EITI	Extractive Industries Transparency Initiative
EPC	Engineering, procurement, and construction
ERM	Enterprise Risk Management
ESG	Environmental, social, and governance
FIFO	Fly-in fly-out
GDP	Gross domestic product
GHG	Greenhouse gas
GRC	Governance, risk management, and compliance
GRI	Global Reporting Initiative
HR	Human Resources
HREC	Human Research Ethics Committees

HSE	Health Safety and Environment
ICMM	International Council on Mining and Metals
IFC	International Finance Corporation
IRR	Inter-Rater Reliability
ISO	International Organization for Standardization
JSE	Johannesburg Stock Exchange
KPI	Key Performance Indicator
LNG	Liquefied natural gas
LSE	London Stock Exchange
MMR	Mixed methods research
MNC	Multinational company
NERA	National Energy Resources Australia
NGO	Non-government organisation
NSW	New South Wales
PRI	Political Risk Insurance
RO	Research objective
RQ	Research question
SLO	Social Licence to Operate
SME	Small and medium-sized enterprises
SPSS	Statistical Package for the Social Sciences
SR	Sustainability Reporting
SRI	Socially Responsible Investment
STEM	Science, technology, engineering, and mathematics
TSE	Tokyo Stock Exchange
UK	United Kingdom
UNGC	United Nations Global Compact
UNSDGs	United Nations Sustainable Development Goals
USA	United States of America
WA	Western Australia
WHO	World Health Organization



# Chapter 1 Introduction

## 1.1 Setting the Scene

Corporate Social Responsibility (CSR), sometimes referred to as corporate citizenship, is generally defined as a self-regulating business model that supports organisations in being socially answerable to themselves and their stakeholders, including the populace and community (Carroll & Shabana, 2010; Matten & Moon, 2008; van Marrewijk, 2003). This allows companies to be conscious of their impact on all aspects of society, including economic, social, and environmental aspects (Carroll, 2008; Friedman, 1970; Harjoto & Laksmana, 2018; Janssen et al., 2015). Wood (1991) states that the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities. However, some researchers have claimed that companies should not practice CSR as it does not provide any tangible value to the organisation (Davis, 1973; Levitt, 1958).

Academic literature highlights CSR and corporate governance as strongly and intricately connected. For instance, Solomon (2020, p. 6) defines corporate governance as the “system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all of their stakeholders and act in a socially responsible way in all areas of their business activity”. Corporate governance, like CSR has many definitions and connotations: from “business ethics or philanthropy or environmental policy”, to “corporate social performance and corporate citizenship” (McWilliams et al., 2006, p. 8) and “social accounting or corporate accountability” (Crowther, 2000). Jamali et al. (2008) argue that corporate governance and CSR are closely related as they “reflect a firm's commitment to its stakeholders and the nature of its interactions with the community at large”. Kolk and Pinkse (2010) observed that attempts to strengthen corporate governance have seen an increased focus on specific mechanisms such as board behaviour, auditor independence, controls, risk management, and other ethical aspects of remuneration. Managerial and

employee behaviour such as whistleblowing, and having a company grievance policy, are also included in their observations, as well as the more voluntary aspects of environmental, social, and stakeholder responsibilities (Kolk & Pinkse, 2010).

In this vein, Young and Marais (2012) argue that there are links between CSR and corporate governance that can support the drive towards establishing responsible corporate behaviours. However, they note, that there is a lack of integration between CSR and corporate governance particularly because each discipline is situated in different organisational departments which are occupied by personnel with differing expertise and interests. In the aftermath of the Global Financial Crisis (GFC), CSR has increasingly been mentioned as a potential approach to deal with governance failures and corresponding reputation risks. Organisations engage in corporate governance processes to manage risks. As noted by Young and Marais (2012), Australian companies have tended to focus on the relationship between corporate governance and CSR in terms of risk. Considering the criticism pointed at CSR in terms of 'greenwashing' and being solely focused on 'reporting', practitioners are calling for the broadening of the concept of CSR to include a more integrated and strategic approach.

Others have argued that CSR only benefits organisations and makes little or no positive contribution to other stakeholders, particularly communities (Banerjee, 2008; 2014; Brueckner & Manum, 2010). To illustrate, within the extractives industry, community issues and conflicts still exist despite the implementation of CSR by mining companies (Conde & Le Billon, 2017). It may be the result of the different economic perspectives or CSR approaches adopted by the companies. Or, as Young and Marais (2012) argues, it could be the result of a combination of legislation, strategy, political pressure, and 'isomorphism'. This idea of fashion-following is where organisations adopt the norms or values of others so that they are not singled out for criticism, yet it enhances their moral legitimacy (Suchman, 1995). In this vein, some of the theoretical frameworks underpinning CSR

approaches that companies can adopt are stakeholder theory (Freeman, 1984), agency theory (Jensen & Meckling, 1976), legitimacy theory (Suchman, 1995), and stewardship theory (Donaldson & Davis, 1991). The preferred CSR approach adopted by organisations and the motivation behind their choice is impacted by that firm's economic perspective. It, therefore, has a bearing on the perception of CSR value to different stakeholders. This results in stakeholders' varying levels of confidence in CSR as well as accusations that its implementation is tokenistic. This tokenism is further complicated by the "conflicting expectations of the nature of companies' responsibilities to society" (Moir, 2001, p16).

Despite globalisation presenting numerous opportunities to firms, it also acts as a source of uncertainty and risk through increased interdependencies across organisations (Aven & Zio, 2021). This is firstly due to the emergence of macro-scale enterprises consisting of independent organisations, which are under immense pressure to expand and function (Berle & Means, 1932); secondly, the meteoric technology changes, with their related information flows as a result of globalisation (Aven & Zio, 2021); and thirdly, issues in coping with scale to control the decision-making process throughout the whole enterprise (Ackerman, 2013). Furthermore, and as noted by Young and Marais, (2012), although industry pressures can lead to more strategic-type CSR activities for companies operating in high-impact industries, in times of economic uncertainty it may lead to more responsive-type CSR activities to manage risk. Therefore, over time, multiple business indicators such as the corporate failure of Enron, the Volkswagen emissions cover-up, and Exxon's climate change denial and sponsorship of denial efforts, or incidents such as Rio Tinto's destruction of rock shelters at Juukan Gorge in 2020, and the Samarco (BHP/Vale) environmental disaster in Brazil, have demonstrated the increased level of scrutiny for corporate leaders (Natalie, 2020).

The result of these greater interdependencies and hidden vulnerabilities such as economic uncertainty, stakeholder pressure, and globalisation, means that

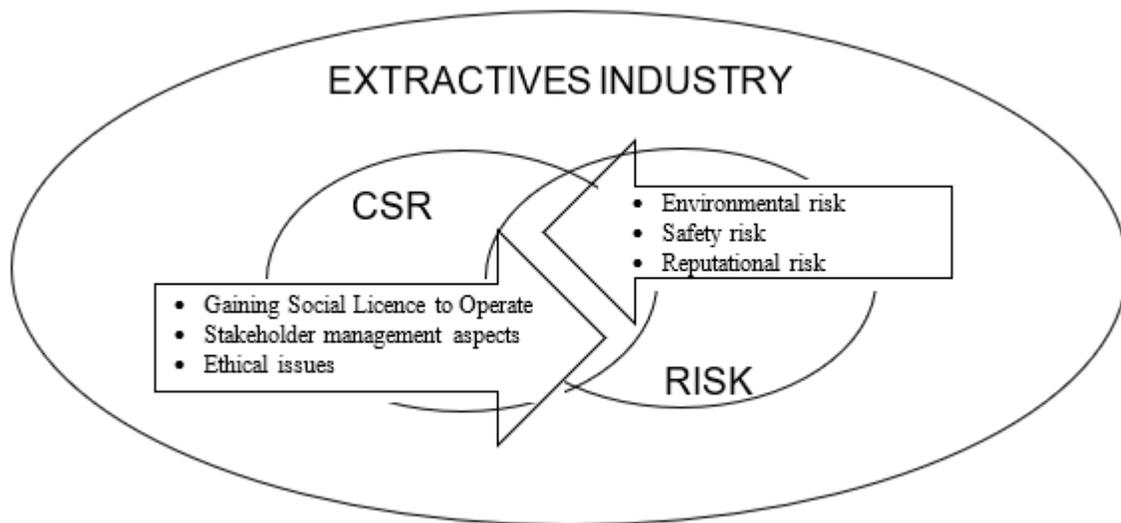
businesses now face increased uncertainty in corporate decision-making (Brinkmann, 2013). As such, the present-day technology-enabled network-based operating models underscore the significance of the expanded enterprise through the establishment of considerable connectivity between stakeholders across the world (Neef, 2012). Moreover, this connectivity has also generated new stakeholders (Kytte & Ruggie, 2005; Matten & Moon, 2008), thus driving the need for innovative forms of risk management. As such, these new risks have resulted in the development of a new approach to risk management: Enterprise Risk Management (ERM) (Lundqvist, 2014).

According to Bromiley et al. (2015, p. 265), “ERM proposes the integrated management of all the risks that an organisation faces, which inherently requires alignment of risk management with corporate governance and strategy.” These connections are worth exploring and therefore motivate this study into examining the role of CSR in risk management. Some researchers have argued that CSR plays a role in the process of managing organisational risk (Jain et al., 2011; Louche et al., 2017; Lu et al., 2020; Neef, 2012), whereas others have claimed that it offers little to no contribution to risk management and wastes business resources (Friedman, 2007; Levitt, 1958). Those who support the role of CSR argue that it provides intelligence about what those risks are, and then facilitates an effective means to respond to the identified risks (Kytte & Ruggie, 2005). This is supported by effective stakeholder management and engagement strategies.

Therefore, the research into a) the role of CSR in risk management and b) the extractives industry in Australia due to its high-risk nature, is an underexplored area that offers investigative opportunities to support and influence the future of both CSR and risk management (Andeobua, 2016; McDonald & Young, 2012). This is important when considering that some researchers have raised doubts as to a) whether CSR outcomes are fully understood and b) the role of CSR in risk. Therefore, by investigating the role of CSR in risk management, insights will be gained into an understanding of its outcomes. As argued by Blowfield (2007), “for

all the claims made about the positive and negative consequences of CSR, there is surprisingly little information about the outcomes it delivers”, in particular, for the “intended beneficiaries in whose name it is being conducted” (p. 683). A key reason for this research into CSR and risk management is the consideration of the potential symbiotic relationship that exists between the two as illustrated in Figure 1.1. This relationship has not been fully considered in previous research. Figure 1-1 illustrates the relationship between CSR, risk management, and the extractives industry. The three examples in each arrow merely demonstrate areas where interactions have been noted in the literature (e.g., Jain et al., 2011; Louche et al., 2017; Lu et al., 2020, Young & Marais, 2012).

**Figure 1.1: Venn Diagram Showing the Research Conceptual Framework and Study Delimitation**



The Venn diagram in Fig 1.1 shows that although CSR and risk management are separate processes within an organisation, there are areas of convergence and interaction between the two - the subject of this research. Kytte and Ruggie (2005) argued that CSR programs and stakeholder engagement strategies support risk management by providing a mechanism for companies to gain intelligence, and by sensing and identifying impending economic, social, and environmental problems. The introductory section of the World Business Council for Sustainable Development on Corporate Social Responsibility (WBCSD, 1999) used phrases such as “business benefits”, “could destroy shareholder value”,

“control risks”, “identify market opportunities”, “improving reputation” and “maintaining public support”. Such recognition of the overlap between CSR and risk management motivates this study to understand the role that CSR plays in risk management.

A recent Australian study of the motivation for community involvement (CCPA, 2000) finds that Australian businesses are “experiencing a transition in expectations of its social role”, but part of the reason is that this social role “contributes to the continuing health and growth” of a business. Three-quarters of the companies studied have “the goal of long-term business sustainability at the heart of their ‘business case’ for community involvement”. Their involvement “is a way to maintain trust, support and legitimacy with the community, governments, and employees” and in doing so gain a social licence. More recently Ernst and Young’s (2021) report on the resources sector, noted an increased focus on environmental, social and governance (ESG) risks facing the sector. Therefore, it is a reasonable proposition that CSR and risk management are complementary in many ways. That they have not yet been holistically investigated is the focus of this thesis.

As shown in Figure 1.1 it can be argued that CSR supports risk management by providing and allowing for stakeholder engagement. It also provides the tools to holistically assess and manage risk. At the same time, risk management supports CSR activities by providing a logical structure to assess CSR activities and initiatives, and fine-tunes the interventions (Albuquerque et al., 2019). This research proposes the idea of holistic support, that is, both vertically (all levels of the organisation) and horizontally (across society, the environment, and the economy). Reggie and Kytte (2005), argue that “stakeholder groups can provide strategic intelligence regarding a company’s risk environment around particular economic, social, political, or environmental issues” (p. 12). They argue that this is achieved because stakeholder engagement can act as an antenna to detect

signals of impending problems and suggest ways to respond to them by integrating business sense, learning, and innovation with CSR.

Global examples of the complementarity between CSR and risk management and the failures that can be attributed to the poor relationship between CSR and risk management include Enron's collapse, the Tyco crisis, BP's Deepwater Horizon oil spill, the Samarco incident, and the Exxon Valdez oil tanker incident (Liang & Renneboog, 2017; Neef, 2012). These are events where organisations have by commission or omission either circumvented accepted and regulatory controls, and ethical standards, or breached their internal standards for real or perceived competitive advantage or productivity reasons. For example, the Juukan Gorge incident was caused by failures at every point, including deficiencies in Rio Tinto's heritage management practices, internal communication protocols and relationship practices with the Puutu Kunti Kurrama and Pinikura (PKKP) community. Appendix 12 has a detailed list of the examples in Australia; however, a few recent Australian examples of incidents that may be attributed to poor implementation of CSR to support risk management are summarised in Table 1-1.

**Table 1.1: Incidents in the Extractives Sector in Australia**

<b>Event, date, and company</b>	<b>Details of the incident</b>
<b>Juukan Gorge, 2020, Rio Tinto</b>	Juukan Gorge, a site of exceptional cultural importance to the Puutu Kunti Kurrama and Pinikura people in the Pilbara region of Western Australia, was destroyed. It contained evidence of human habitation from 46,000 years ago.
<b>Jackson oil spill, 2013, Santos</b>	The Jackson oil field in Queensland is the largest onshore oilfield in Australia. In 2013, one of the wells sprung a leak and released around 50,000 litres per day for a week.
<b>Pilliga coal seam gas wastewater spill 2011, Eastern Star Gas</b>	The wastewater spill and failures to report the spill were committed by Eastern Star Gas in the Pilliga forest in New South Wales. Eastern Star Gas was acquired by Santos in November 2011, after the breaches had occurred; however, Santos uncovered and reported the breaches.
<b>Port Bonython groundwater, 2008–2012, Santos</b>	In May 2008, groundwater contamination was reported to the Environment Protection Authority following detection at Santos' Port Bonython site in Spencer Gulf, South Australia. Hydrocarbons were found floating on and in the groundwater.
<b>Oil spill, 2009, Montara</b>	The Montara oil spill in 2009 was an oil and gas leak and subsequent slick that took place in the Montara oil field in the Timor Sea, off the northern coast of Western Australia.
<b>Varanus Island gas explosion, 2008, Apache Energy</b>	On 3 June 2008, the rupture of a corroded pipeline caused an explosion at the Apache Energy Varanus Island gas processing plant. Approximately 153 staff were evacuated from the plant. Nobody was injured, but the facilities were forced to close temporarily.
<b>Longford gas explosion, 1998, Esso</b>	On 25 September 1998, an explosion took place at the Esso natural gas plant at Longford in Victoria's Gippsland region, killing two workers and injuring eight others. Gas supplies to the state of Victoria were severely affected for two weeks.
<b>Port Stanvac oil spill, 1999, Mobil</b>	On 28 June 1999, a discharge occurred from an offshore loading connection to the Mobil Port Stanvac Refinery in South Australia. Approximately 230 tonnes of Oman crude oil was discharged offshore.

Sources: Validakis, 2014; Natalie, 2020

This research explores the relationship between CSR and risk management in the extractives industry in Australia in order to identify opportunities for organisations to leverage this relationship. Of interest to this research is how CSR is an integral component of a company's risk management approach. There is considerable extant research into the norms of CSR and its evolution, implementation, and benefits. CSR has already been considered in conjunction with financial performance (Beurden & Gössling, 2008), reputation management (Coombs & Holladay, 2011) and crisis management (Minor & Morgan, 2011). However, there seems to be an observable broader connection between risk management and CSR, but as there is limited research on the holistic relationship between CSR and risk management, this needs to be examined.

These studies have informed this research, the aim of which is to provide a detailed and holistic understanding of CSR and its role in risk management, concentrating on teasing out the nature, value, and extent of the connection between CSR and risk management.

This research starts by looking at the development of CSR and its evolution from the early days of philanthropic activity through to its current state of strategic initiatives, as well as factors affecting its implementation. Furthermore, the research will consider risk management approaches and tools. From an operations perspective, this research will illuminate how organisations in the extractives sector can leverage CSR to drive risk management strategies. Moreover, companies in the extractives sector usually deploy separate individual programs for managing risk and CSR. As such, a holistic understanding of the interaction between the two programs can identify synergies between CSR and risk management, upon which organisations can leverage both to reduce costs and effectively manage risk. In doing so, it seeks to inform both the theoretical and practitioner perspectives on CSR and risk management.

## **1.2 Rationale and Importance of Research**

Although CSR has been present in the global business environment for a long time, it has been lagging in Australia (Brueckner, 2021). Moreover, it is still perceived, particularly by some stakeholders and practitioners, as a group of activities limited to improving a company's image, that is, as extended public relations activities (Fragouli & Ekruka, 2016). Furthermore, it seems there is an interest in CSR itself as an instrument to improve an impaired image of an organisation (Frederiksen, 2018) or an extension of its marketing activities (Arendt & Brettel, 2010). This is partly why it has been difficult to show decisively that CSR is an integral element of an organisation's management, especially as it relates to strategy, and its influences on the functioning of an organisation (Story & Price, 2006). Nevertheless, mutual relations between CSR and risk management are undisputed (Fragouli & Ekruka, 2016; Lu et al., 2020) even

though research on the role of CSR in risk management is limited. The research tends to appear in accounting and finance journals rather than management journals where the context is often focussed on CSR and financial performance (Bromiley et al., 2015).

CSR shows how to avoid or minimise risk, which is the subject matter for the risk management process (Diffey, 2007). However, there is limited research demonstrating that CSR means not only activities connected with reducing the likelihood of risk (e.g., reputation loss, sales drop) but also its consequences (Frederiksen, 2018; Story & Price, 2006). CSR has the potential to be a crucial element of an organisation's risk management. Therefore, this research seeks to investigate the possibility of CSR being perceived as more than a reaction to a specific situation but as an instrument to mitigate risk holistically, that is, as part of a significant element of company management strategy (Nguyen, 2018). The research will also provide a holistic understanding of the relationship between CSR and risk management in the extractives industry in Australia and determine the type of impact CSR has on risk management in this industry.

## **1.3 Research Aims, Questions, and Objectives**

### *1.3.1 Aims*

The study aims to explore the role of CSR in risk management in the extractives industry in Australia. This sector was selected for study because firstly, Australia's economy is dominated by the extractives industries, which contributed 11.1% to the gross domestic product (GDP) in 2019–20 (Australian Bureau of Statistics, 2021).

Secondly, CSR implementation has been lagging in Australia (Brueckner, 2021) as most extant research on CSR comes from the United States (US), Europe, and to a lesser extent, Australia, Africa, and China. As such, there have been calls by researchers for further empirical investigation of CSR practices and their role in risk management in other contexts to enrich the body of knowledge

(Husted, 2005; Kytte & Ruggie, 2005; Louche et al., 2017). Therefore, the relatively underexplored role of CSR in risk management in Australia provided a solid ground for responding to such calls.

Thirdly, Australia's resource sector represents a dynamic business environment defined by boom-and-bust cycles. It offers a window of opportunity to investigate how organisations manage to change business environments, particularly in the context of the extractives sector boom and bust cycles (Berkowitz et al., 2016; Coombs & Holladay, 2015). Therefore, because CSR implementation occurs in a continuously changing business environment, particularly within the context of globalisation and commodity price cycles, this thesis provides valuable practitioner-informed insights into the implementation of CSR and its role in risk management. Finally, with Australia having experienced the impact of the most recent downturn (2012–2015) in the mining, oil, and gas sectors, this research presents an interesting empirical setting to investigate how organisations prioritise CSR and how it impacts risk management within a poor economic climate.

The aim of this research will be addressed through the following research questions and objectives.

### *1.3.2 Research Questions and Research Objectives*

To answer the key question of the role of CSR in risk management, the following research questions (RQs) and research objectives (ROs) are addressed:

**RQ1:** What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?

**RO1:** *Determine the nature of CSR in the extractives industry in Australia to develop mechanisms that enhance value to the business by leveraging the positive aspects.*

**RQ2:** What are the Critical Success Factors (benefits, barriers, and drivers) for the successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?

**RO2:** *Identify and evaluate the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia to support CSR uptake and implementation.*

**RQ3:** What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?

**RO3:** *Determine the nature of risk management and the factors that affect risk management in the extractives industry in Australia.*

**RQ4:** What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

**RO4:** *Establish a holistic understanding of the nature and type of CSR, risk management practices and the relationship between CSR and risk management in the extractives industry in Australia and determine the impact CSR has on risk management in this industry. This will contribute to practice and lead to targeted responses in the management of risk.*

## **1.4 Contribution to Knowledge**

This research seeks to contribute to both theory and practice through:

1. Understanding the role of CSR in risk management, leading to targeted responses in the management of risk to support the achievement of business objectives. The study expands the knowledge base in this field by focusing on the practices firms employ to manage their risks, including social and environmental risks.
2. Developing mechanisms that enhance risk management and value enhancement for businesses at no extra cost by determining the positive and negative stereotypes of CSR, and examining the underlying

- motivations and determinants of CSR to support its successful implementation.
3. Developing risk management methodologies that add to the current body of knowledge by identifying the factors affecting risk management in the extractives industry in Australia; exploring the context of the implementation of CSR practices and the importance of monitoring mechanisms in the implementation of CSR practices; and testing whether explicit sanctions and regulation are enough to secure implementation of CSR practices by extractives industry firms.
  4. Introducing new lines of thought or inquiry that can be probed further by identifying the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry and businesses in general thus optimising risk management.

Overall, this research conceptualises CSR as a business process-oriented construct, and in doing so supports previous research efforts by focusing the CSR research on the practical direction of risk management anchored in strategy formulation and implementation processes. Furthermore, the findings of this research will enable theorists to create a stronger theoretical and empirical basis on which future research on the topics of CSR and risk management can be developed and used by practitioners.

## **1.5 Dissertation Structure**

The thesis consists of nine chapters and is structured as follows:

Chapter 1: Outlines the study specifications by introducing the study in general.

Defines the research problem, objectives of the research, and structure used for the presentation of the study.

Chapter 2: Reviews the literature relating to the history and development of CSR, how it has been adopted by the extractives sector, and the Critical Success Factor (CSFs) affecting CSR implementation. Assesses the current literature on the subject, highlights existing gaps, and identifies the contribution of this research.

Chapter 3: Provides the contextual framework drawn from extant literature on risk management approaches in the extractives sector and CSFs affecting risk management. Assesses the current literature on the subject, highlights existing gaps, and identifies the contribution of this research.

Chapter 4: Presents a critical literature review on the role of CSR in risk management. Draws on the overlaps between CSR and risk management in the extractives sector's everyday activities, the firms' motives for adopting CSR, and the impact CSR has on risk management.

Chapter 5: Discusses the methodology followed in this research. Explains the rationale followed regarding the research design, setting, and data collection methods. Discusses issues relating to the samples used for the survey and interviews, and ethical considerations of the research.

Chapter 6: Discusses the basic features of the quantitative data collected through the survey. Presents the results of the quantitative data analysis including statistical analysis to enable prediction and generalisation with reference to the research objectives and questions.

Chapter 7: Discusses the basic features of qualitative data collection and aims to provide the basis for triangulation with the results presented in Chapter 6. Discusses the results of the interviews with reference to the research questions and objectives.

Chapter 8: Synthesises the results and summarises the key findings and links them to the literature. In addition, it integrates the results by combining the quantitative and qualitative analyses and places these findings in the context of existing research. This was achieved through triangulation of the findings from both the survey and interview analyses. It subsequently discusses the results in relation to the literature.

Chapter 9: Concludes the study and discusses the current state of knowledge in CSR and risk management in the context of existing research. It presents the contributions of this thesis and presents the implications of this study for research, policymakers, and practitioners. It discusses the study's

limitations and highlights avenues for future research. Finally, it concludes the study by linking the results to the overall aim of the study.

The following chapter (Chapter 2) contains a literature review of CSR, the implementation of CSR, and the CSFs that affect CSR adoption and implementation. It frames the research lens to justify the selection of the research questions and demonstrates the significance of the topic. Accordingly, the chapter reviews and evaluates the theoretical and empirical literature that underpins the research theme of this dissertation.

## **Chapter 2 CSR: Background and Rationale**

### **2.1 Introduction**

This chapter concentrates on the five key elements that underpin the influence of CSR on business practice to support RO1, namely, the history of CSR; CSR approaches and characteristics; firms' motives for engaging in CSR practices; the Critical Success Factors (CSFs); and the link between CSR and business strategy in the extractives sector.

The chapter is structured as follows. Section 2.2 discusses the history and evolutionary pathways of CSR to provide insight on CSR, underpinned by an exploration of current CSR thinking alongside a working definition of CSR employed in this research. Section 2.3 outlines the theoretical frameworks for investigating CSR (stakeholder theory, agency theory, stewardship theory, and legitimacy theory) and analyses the characteristics of each theory. Section 2.4 discusses the arguments for and against CSR. Section 2.5 discusses the motives and CSFs for CSR. Section 2.6 describes the major CSR standards. Section 2.7 discusses CSR implementation in the extractives sector. Section 2.8 discusses the role of the board of directors in CSR implementation. Section 2.9 concludes the chapter by summarising its contribution to the study. Throughout, the chapter critically evaluates the existing problems in extant CSR literature relating to risk management and pronounces the approach implemented in this research.

### **2.2 Emergence and Evolution of CSR**

#### *2.2.1 History and Development of CSR*

It has been demonstrated in extant literature that the current belief that business has a responsibility towards society is not new (Louche et al., 2017). The concept of CSR began in the 1920s when “the corporate manager of the 1920s seemed to have developed, for the first time, a concept of social responsibility from a corporate rather than an individual perspective” (Hoffman, 2007, p. 56). However, CSR only became an important subject with corporate leaders around the 1950s,

having failed to gain traction with the market previously due to the Great Depression and World War II (Ashrafi et al., 2020; Carroll, 2008). This started in 1951, when the Standard Oil of New Jersey Chairman, Frank Abrams, ignited the debate on CSR in an article he wrote for the *Harvard Business Review* by stating that it was the obligation of businesses “to conduct the affairs of the enterprise in its charge in such a way to maintain an equitable and workable balance among the claims of the various directly interested groups” (Abrams, 1951, p. 29).

In 1953, the publication of *Social Responsibilities of the Businessman* by Howard R. Bowen signalled a milestone in the evolution of modern CSR (Bowen & Johnson, 1953). It achieved this by creating “a foundation by which business executives and academics could consider the subjects as part of strategic planning and managerial decision-making” (Wiraeus & Creelman, 2018, p. 244). The 1950s and 1960s saw CSR “focused on business responsibilities to society and acting in a socially responsible manner, and less so on how CSR could benefit the business” (Ashrafi et al., 2020, p. 4). However, critical voices of this approach were evident in the late 1950s when Theodore Levitt warned businesses against engaging in CSR activities as they were ambiguous and added no value to their core objectives (Levitt, 1958). The evolution of CSR continued throughout the 1960s and 1970s towards the theoretical framework suggested by Carroll (1979) in which he proposed that the expectation for firms that behaved in a socially responsible way was to adopt CSR. Nevertheless, Friedman (1970) argued that the sole responsibility of a business is to invest its resources in activities that increase its shareholder value.

These views from Bowen, Levitt, Carroll, and others influenced the discussion during that period towards a contemporary narrative that coalesced on the idea of incorporating CSR into business objectives (Carroll, 1999; Lantos, 2001). This was mainly driven by the view that managers were perceived to be unfit for a role that rightly belonged to the government, particularly when they could be distracted from profit-making tasks. Furthermore, managers could even be

tempted into improper use of resources in the name of CSR, when in reality they were advancing personal agendas (Ashrafi et al., 2020). It was during this time that concerted efforts were made to link CSR and the long-term interests of shareholders, particularly by researchers such as Wallich and McGowan in the 1970s, who acknowledged that it was possible to uphold CSR without compromising shareholders' interests (cited in Freeman, 1984). However, a key obstacle was that despite an understanding of the need to align CSR and shareholders' interests, there was no developed theoretical framework linking CSR benefits to the wider range of stakeholders (Crane et al., 2013; Lee, 2008).

It was during this time that the concept of Corporate Social Performance (CSP) was introduced by Ackerman (1973) as part of the extension of CSR to include the organisational capacity to respond to social pressures. This was supported by Prakash S. Sethi, who developed a three-stage framework for aligning CSR and CSP (Sethi, 1975). The three stages introduced by Sethi were linked to social needs, namely, social obligation, social responsibility, and social responsiveness. These were further strengthened in 1979 by Carroll, who integrated social responsiveness and social issues into the CSP framework (Carroll, 1979). Carroll went on to introduce the pyramid of CSR, which comprised four elements: economic, legal, ethical, and philanthropic (Carroll, 1991).

This shift in thinking around CSR continued into the 1980s and 1990s with the focus expanding from ethics centric to performance centric at the corporate level (Carroll & Shabana, 2010). This period also saw the introduction of several theories such as stakeholder theory, resource-based theory, and institutional theory, and their incorporation into CSR within business literature, which will be discussed in Section 2.3 on CSR approaches (Visser & Kymal, 2015). For example, in 1984, Freeman introduced the role of stakeholders in the CSR debate, which led to the stakeholder theory view of CSR (Anderson, 2006). The stakeholder theory addresses moral and ethical values in the management of a business by arguing that businesses need not only consider its shareholders but

also other interest groups, including government bodies, political groups, trade associations, trade unions, communities, financiers, suppliers, employees, and customers (Cordeiro & Tewani, 2015; Visser & Kymal, 2015).

From the 1990s onwards, CSR continued to evolve from unsystematic philanthropic activities to strategic initiatives that addressed the environmental and social impact of a firm's activities holistically as a way to gain a social licence to operate (SLO) from society and communities (Bice et al., 2017). Strategic CSR was made popular in 2011 by Porter and Kramer in their seminal article "Creating Shared Value," which argued that companies can attain a competitive advantage from CSR by integrating social and environmental issues in their strategic plans (Porter & Kramer, 2011). The aim is to strategically drive the competitive advantage of the business through increased performance e.g., from effective marketing, improved regulatory compliance, as well as attract a qualified workforce (Malik, 2015). Nevertheless, there has been vigorous debate among practitioners regarding the evolution from moral and normative CSR approaches to strategic CSR (Cordeiro & Tewari, 2015). Key to the debate was the "normative belief that companies have a responsibility beyond pure profit-seeking that includes economic, social, and environmental concerns" (ElAlfy et al., 2020, p. 3).

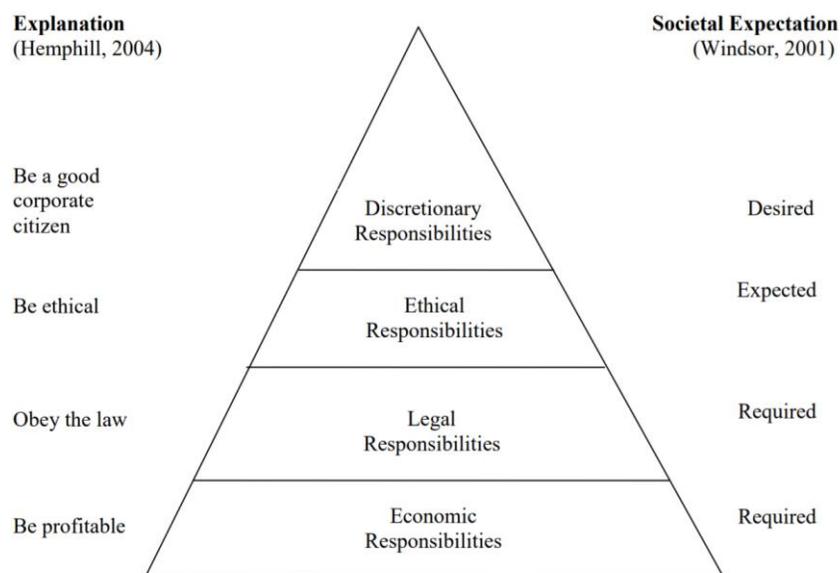
This consolidation of economic, social, and environmental concerns led to the adoption and rapid upsurge in the phrase "sustainable" as a central theme in CSR appellation and later developed into sustainability (Carroll, 1991). In 2009, the International Organization for Standardization (ISO) developed the standard, ISO 26000 Social Responsibility, which covers seven core subjects of social responsibility with a significant focus on stakeholder management and ethical behaviour (Fragouli & Ekruka, 2016). However, a significant shortcoming of ISO 26000 is that it seeks to develop the same criterion for private and public sector organisations, which is difficult because the needs of private and public sector

organisations may vary widely (Lock & Seele, 2015). The next section discusses Carroll's pyramid in relation to CSR development in more detail.

### 2.2.2 Pyramid of Responsibilities

Carroll's pyramid of responsibilities, as illustrated in Figure 2-1, underpins several other CSR theories and models that have been subsequently developed (Young, 2013), which will be discussed in Section 2.3 on CSR approaches. In Carroll's pyramid, economic responsibilities form the base of the pyramid as a demonstration of the economic responsibility of the firm forming the basis and justification for the business's fundamental responsibility (Schwartz & Carroll, 2003). This is because a business cannot complete its other responsibilities when there is a dearth of economic accomplishment (Windsor, 2001). Legal responsibilities place an obligation on a business to comply with the laws of society. In most circumstances, societal laws guide distinguishing between acceptable and unacceptable conduct (Hemphill, 2004; Windsor, 2006). This is achieved through prescribing unacceptable behaviours that breach societal standards of moral conduct (Schwartz & Carroll, 2003).

**Figure 2.1: Pyramid of Responsibilities**



Source: Carroll, 1991; Hemphill, 2004; Windsor 2001

In the pyramid of responsibilities, ethical duties mandate businesses to follow moral rules, which lay down acceptable conduct in society (Visser, 2015). This means businesses must conduct their affairs in a just and fair manner while remaining mindful of society's moral rights to prevent harm or social injury (Windsor, 2006). The difference between legal and ethical duties is that ethical duties include behaviours that are expected or prohibited by society, and may not be mandated by the law (Schwartz & Carroll, 2003). However, there is a mutual relationship between legal and ethical responsibilities centred around accountability (Carroll, 1991). Discretionary responsibilities refer to voluntary social participation, including philanthropy (Hemphill, 2004). It is important to note that discretionary responsibilities are purely voluntary, driven only by a business's appetite to participate in social activities, which are neither mandated nor required by law (Viviers & Boudler, 2010).

The incorporation of responsibility, responsiveness, and social issues by Carroll (1979) formed the basis for continued CSR development. Wartick and Cochran (1985) extended the three aspects of corporate responsibility, social responsiveness, and social issues into a framework of principles, processes, and policies. This was further developed by Wood (1991), who expanded on the "principles of CSR" at the institutional, organisational, and individual levels as well as the "processes of social responsiveness" (p. 694). The principles included an environmental assessment, stakeholder management and an issues management component. The "policies" were developed by organisations to address social issues as the outcome of corporate behaviour motivated by principles and occurring through processes (Ashrafi et al., 2020, p. 4).

Furthermore, other scholars have progressed Carroll's pyramid by grouping CSR issues broadly into three categories, namely, environmental, social, and governance (ESG) to provide action and measurable outcomes for corporate sustainability (Li & Wu, 2020). ESG has now evolved into key elements that are used to measure an organisation's sustainability and societal impact (LeBlanc &

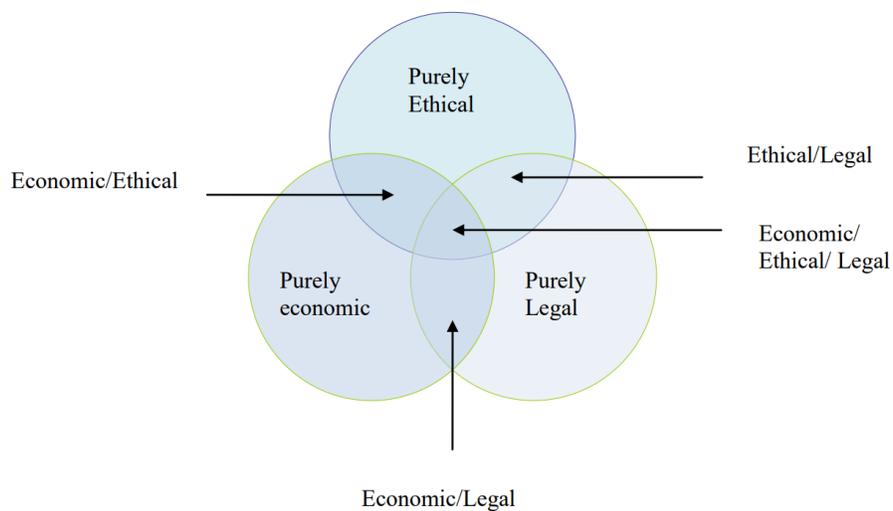
Kislevitz, 2016). Most companies approach their CSR performance through the ESG lens because environmental and social criteria are important and intrinsically linked to governance which is at centre of Carroll's pyramid's four stages (Young et al., 2013). Therefore, ESG has effectively provided a tool to measure the outcomes of Carroll's CSR pyramid (Koller et al., 2019).

Furthermore, "excelling in governance calls for mastering not just the letter of laws but also their spirit, such as getting in front of violations before they occur, or ensuring transparency and dialogue with regulators" (Koller et al., 2019, p. 2). An example of not attending to this is the Rio Tinto Juukan caves debacle in 2020 where Rio Tinto did not identify the risk of cultural and ethical violation before it occurred as they relied only on the letter of the law and not its spirit because they believed they had met their regulatory compliance requirements (Natalie, 2020). CSR advocates for the consideration of the non-legislated societal requirements alongside the legislated aspects to ensure a holistic consideration of situations (Brueckner, 2021). As such, an aspect of CSR that has not been sufficiently articulated is its role in risk management.

In support of Carroll's pyramid, Aupperle et al. (1985) found that business leaders categorised their organisation's social responsibility into the four levels suggested by Carroll in 1979. These four categories fall into the broad risk types that organisations face and manage, such as reputation, operations, and financial. Thus, it can be argued that CSR contributes to organisational risk management, although not in a structured risk management format. Despite gaining widespread acceptance in CSR discourse and practice, some researchers have noted weaknesses in Carroll's pyramid. Schwartz and Carroll (2003) argued that the pyramid structure suggests a hierarchy, which could lead people to think that the pyramid's top category (philanthropy) is the highest or most important one that an organisation should endeavour to attain.

Furthermore, when the pyramid was first introduced, there was an assumption by many that it followed a natural progression from economic to philanthropic responsibilities, as with Maslow's Hierarchy of Needs (Carroll, 1999). However, Carroll (1991) stated that the four categories are not mutually exclusive, nor are they intended to portray a continuum with economic concerns at one end and social concerns at the other. In response to this, Schwartz and Carroll (2003) used a Venn diagram to portray the relationships between the CSR categories to clear the misinterpretation, as illustrated in Figure 2-2.

**Figure 2.2: The Three-Domain Model of Corporate Social Responsibility**



Source: Schwartz & Carroll, 2003, p. 509

A notable change in this revised representation is the deliberate omission of the philanthropy/discretionary category because Schwartz and Carroll (2003) argued it may be confusing and therefore superfluous. This point had been previously acknowledged by Carroll, who stated that it was potentially “inaccurate” (Carroll, 1979, p. 500) to refer to philanthropy/discretionary actions as responsibilities. Indeed other authors such as von Schnurbein et al. (2016) agreed that philanthropy was not a responsibility. Furthermore, Godfrey et al. (2009) posited that discretion, being mostly driven by strategic interest either implicitly or explicitly, represents a discretionary expression of CSR, which is different from

the mandatory compliance with economic, and legal aspects of CSR (Aupperle et al., 1985).

Continuing along this line of thought, Lantos (2001) believed philanthropy should not be a genuine business matter. Lantos (2001, p. 205), assessed the morality of altruistic CSR among the major ethical perspectives of “Utilitarianism, Rights, Justice and Care” for businesses and concluded that philanthropy is immoral because it infringes shareholder property rights (2001, p. 205). This contention by Lantos (2001), draws on early suggestions by Friedman (1970) who argued that such use of shareholder capital was both irresponsible and illegal. However, such an assertion of shareholder supremacy has been challenged by corporate law experts such as Stout, (2012) and other researchers (e.g., Spencer, 2018) who argue for a more inclusive stakeholder approach.

Although Carroll’s work explained the organisational responsibilities, Freeman (1984) provided further clarity and confirmation as to whom the organisation is responsible. An important question raised by researchers’ suggestions such as Friedman (1970) and Lantos (2001), is whether shareholders are the only important stakeholders in this relationship. This role of shareholders is evident in the theoretical basis of CSR approaches. Companies have now adopted stakeholder, legitimacy, and stewardship theories (Moir, 2001). Therefore, it can be argued that CSR provides a platform to benefit all stakeholders holistically and, in this process, potentially support the management of risk by the firm. Furthermore, von Schnurbein et al. (2016) argued that corporate philanthropy should not only focus on giving but also consider both the CSR pyramid and the triple bottom line approach.

One of the criticisms faced by CSR is that it relies on self-regulation (Gond et al., 2011). A self-regulation mechanism is reliant on a person’s value system, including their attitudes, childhood and upbringing, culture, religion, career history, and ambition (Sarker, 2013; Sheehy, 2015). As such, it is unreliable to

base ethical motivations for a business decision on self-regulation as a tool to secure business ethical conduct. The recent unethical behaviour of the leaders of some multinational companies (MNCs) that led to the demise of the business is ample proof that a self-regulation approach is unreliable (Brueckner, 2021). Towards the later part of the 1990s, there was widespread acknowledgement of the need to link CSR to the economic and social performance of the business (Ashrafi et al., 2020).

This was supported by the introduction of the Triple Bottom Line concept by John Elkington in the 1990s (Elkington, 1998). Such connection of CSR to the business's economic and social performance is also seen with the term "social value" being used in reference to CSR and sustainability activities. Social value is an umbrella term for the broader effects on both ESG and the wider community (Jones, 2017). Those organisations which make a conscious effort to ensure that these wider effects are positive can be seen as adding social value by contributing to the long-term well-being and resilience of individuals, communities, and society in general (Kiser, 2017). An example of social value is the United Nations Sustainable Development Goals (UNSDGs), which are, in effect, a social value charter for the planet (EIAIly et al., 2020). The UN aims to achieve this by calling on all its member nations to take action to ensure an end to poverty, protect the planet, and ensure everyone enjoys peace and prosperity by 2030.

### *2.2.3 The Term CSR and its Definition*

Despite the extensive history, research, and success stories available to businesses regarding CSR, it is difficult to arrive at a universally accepted definition of CSR, notwithstanding that the value of CSR is generally accepted by industry practitioners (van Marrewijk, 2003). The complex nature of CSR alongside an absence of consensual definitions of the concept has led to several widely used and accepted definitions of CSR (Sheehy, 2015), with Murphy and Schlegelmilch (2013) arguing that there are as many definitions of CSR as there are writers on the topic. According to van Marrewijk (2003: 95), a "one solution

fits all” definition of CSR is impossible as each individual company’s development, awareness, and ambition levels all influence the meaning that CSR will have for them.

Despite a cornucopia of well-researched, thorough, and relevant literature on the subject, CSR continues to be regarded as a complex, wide-ranging, and ever-developing concept, which encompasses a plethora of diverse ideas and practices. Consequently, other researchers have characterised CSR as opaque (Fisher, 2004), vague and unclear (van Marrewijk, 2003), amorphous (Carroll, 2008b), or with uncertain boundaries and doubtful credibility (Lantos, 2001). It lacks a grounded definition to act as a foundation for a decisive business response (van Marrewijk, 2003). Adding to the lack of agreement regarding a universal definition of CSR, there has also been a question of relevancy surrounding the term itself. This has led to several widely used and accepted definitions of CSR which are to be discussed in the next few paragraphs.

CSR has been criticised for being too loosely defined and conceptually weak (Barnett, 2019). During the 1970s, some scholars suggested that focusing on the social “responsibility” of a business indicated a reluctance to pinpoint accountability, making it too narrow and static to fully describe the social efforts or performance of the business (Carroll, 1991). This led to the emergence of the expressions Corporate Social Responsiveness (CSR2) and Corporate Social Performance (CSP). CSR2 highlights the proactive approach expected from organisations and connects CSR with organisational strategy, whereas CSP endeavoured to pitch an organisational structure that both addressed CSR and at the same time, tried to assess CSR performance (Wood, 2010). Despite the CSP model being clearly advanced in the CSR literature, it failed to gain acceptance because its effectiveness could not be assessed and empirically tested (Lee, 2008).

As mentioned in Section 2.2.1, Ackerman and Bauer (1976) were among the early writers who preferred the term corporate social “responsiveness” as opposed to “responsibility”. CSR2 was described by Frederick (1994) as an organisation’s ability to respond to social pressures, and he coined the famous acronym “CSR2”. Frederick described this new term as a conceptual transition from the “philosophical–ethical concept of corporate social responsibility ... to the action oriented managerial concept of corporate social responsiveness.”(Frederick, 1994, p. 150)

It serves as “an effort to treat as a management issue one which had been predominantly treated as a social and/or ethical issue” (Ackerman & Bauer, 1976). Sethi (1975) suggested that a responsive company was also responsible, and responsiveness was an appropriate concept to replace the ill-defined responsibility. Carroll (1979), however, noted that responsiveness was conceptually inadequate to replace responsibility. This was echoed by Wood (1991) who noted that “a concept that permits action without reflection or responsibility is not a refinement over a concept that merely encourages responsibility” (p. 703). Jones (1980) argues that an organisation can be both responsive and irresponsible.

In conclusion, CSP is commonly seen as integrating the synergy between the fundamentals of social responsibility, the mechanisms of social responsiveness, and the business protocols to respond to social issues (Wartick & Cochran, 1985). Conceptually, CSR is part of the broader framework of CSP. As argued by Windsor (2001), CSP demonstrates a change in focus from intention and motivation to organisational action, leading to operationalisation of CSR. However, other researchers have criticised the name CSP as being too theoretical (Wood, 2010).

It is important, however, to note that CSR, CSR2, and CSP are hard to disconnect and are applied interchangeably. In an attempt to link CSP with CSR,

Greening and Turban (2000), defined CSP as a firm accepting responsibility, whereas Frederick (1994) described CSR as CSR2, defining it as responding to social demands. To date, the term CSR continues to be used to explain an organisation's acceptance of responsibility as well as its governance and practices in this area (Bice, 2017; McDonald & Young, 2012).

This section discussed the history and development of CSR while acknowledging that there is no single accepted definition of CSR. It noted that despite the various terms used to describe CSR, their intent is broadly unanimous around organisational acceptance of responsibilities and ethical business practice. Therefore, for the purposes of this research, the term CSR refers to an organisation's acceptance of responsibility for its activities and policies.

## **2.3 CSR Approaches**

This section critically reviews some of the commonly used theoretical frameworks used to research CSR, namely stakeholder theory, agency theory, legitimacy theory, and stewardship theory. These theories are interrelated and interconnected.

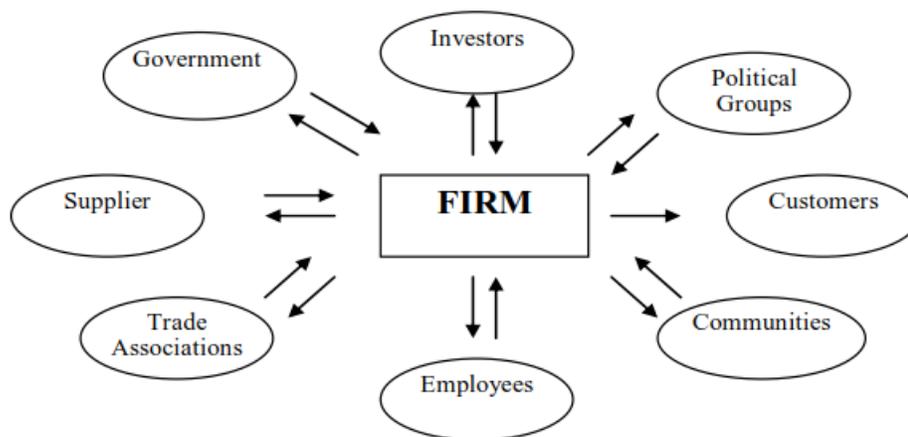
### *2.3.1 Stakeholder theory*

The stakeholder approach to CSR is premised on building and maintaining effective relationships and value between the business and its various stakeholders. "Stakeholder theory is distinct because it addresses morals and values explicitly as a central feature of managing organizations" (Phillips et al., 2003 p. 481). Whereas CSR emphasises the benefits for society at large, a stakeholder approach places the responsibility on businesses to build relationships and create value for all stakeholders and in doing so benefit all involved. According to Abdullah and Valentine (2009), stakeholder theory is based on sociological and organizational disciplines incorporating philosophy, ethics, political theory, economics, law, and organizational science. Stakeholder theory gained traction in the management discipline in the 1970s (Harrison et al., 2010) and was then advanced by Freeman (1984) to include corporate

accountability to a wide range of stakeholders. A stakeholder is defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984, p. 46).

The traditional shareholder perspective of a company as proposed by Milton Friedman and other agency theorists view stakeholders as the only shareholders (Stout, 2012). However, Freeman (2015) argued that it also needs to consider other stakeholders such as government agencies, political groups, investors, trade associations, communities, banks, suppliers, employees, customers, and even competitors, as illustrated in Figure 2-3.

**Figure 2-3: The Stakeholder Model (Donaldson and Preston, 1995)**



According to Freeman (1999), the stakeholder network is more critical than the owner-manager-employee relationship espoused by agency theorists such as Friedman. This is echoed by Harrison et al (2010) who contend that stakeholder theory is a response to the set of stakeholders, worthy of an organisation’s time and attention. This is because all groups participate in a business to obtain benefits (Donaldson & Preston, 1995). Similarly, Clarkson (1995) argues that because a firm is a system with stakeholders, the purpose of the firm is to create wealth for all its stakeholders and not just shareholders. However, according to Treviño and Weaver, (1999), there are different schools of thought on whether stakeholder theory is a single coherent theory or a set of theories, particularly if it is a normative theory based largely upon ethical propositions or an

empirical/instrumental/ descriptive theory (Donaldson & Preston, 1995). Therefore, stakeholder theory has been a contentious area within the literature as proponents of different schools propose (Donaldson, 1999; Freeman, 1999; Trevin & Weaver, 1999).

Stakeholder theory forms an integral element of CSR because, as argued by Freeman (1984), this important network of relationships with different groups can impact an organisation's managerial processes, impacting outcomes of the firm and its stakeholders. The risks of not attending to all stakeholder concerns in the extractives industry have resulted in incidents such as the destruction of rock shelters at Juukan Gorge by Rio Tinto in 2020 and the Samarco (BHP/Vale) environmental disaster in 2015 in Brazil. In understanding the impact of stakeholders on a firm, Donaldson and Preston (1995) argued that managerial decision-making and stakeholder interest have intrinsic value, on the condition that all stakeholder interests are considered. This has led to the development of stakeholder assessment tools that are based on the power of that stakeholder over the company (Ackermann & Eden, 2011) and their level of interest (Mitchell et al., 1997). As such, stakeholder theory has been utilised to analyse and define which groups the organisation needs to pay attention.

This is echoed by Nguyen (2018), who argued that if CSR is about reducing adverse events and increasing positive environmental and social outcomes, then stakeholder engagement is a key enabler for this to be realised. Furthermore, firms have lost the right to select whether to engage and manage stakeholders and it is now only a matter of time before the engagement is favourably accomplished (Bryson, 2004; Li & Wu, 2020). However, if firms elect to ignore the interests and concerns of stakeholders, this "too often and too predictably leads to poor performance, outright failure or even disaster" (Bryson, 2004 p.3). As such, the motivation for stakeholder engagement can be seen as an attempt to successfully manage risk, particularly in the extractives industry as it is one with

many stakeholder groups including communities, surrounding their operations (Andeobua, 2016; Calvano, 2008).

Stakeholders are usually grouped into primary and secondary stakeholders. According to Clarkson (1995, p. 106), a primary stakeholder is “one without whose continuing participation the corporation cannot survive as a going concern”. As such the primary group includes “shareholders and investors, employees, customers, and suppliers, together with the public stakeholder group: governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due” Clarkson (1995, p. 106). The secondary groups are defined as “those who influence or affect or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival” Clarkson (1995, p. 106).

Therefore, primary stakeholders define the business and are vital to its continued existence, whereas secondary stakeholders are those who may affect the company’s relationships with the primary stakeholders. An example of such stakeholders is pressure groups, inspectors, regulators, and trade unions. In terms of CSR, it can be argued that stakeholder analysis is part of the motivation for businesses to show responsibility, that is, by responding to the stakeholders (Freeman 2015). This is because it helps organisations to identify stakeholders with power and then develop responses to their concerns and works out ways to manage them (Ackermann & Eden, 2011; Mitchell et al.,1997).

The question then needs to ask which groups of stakeholders need the attention. Mitchell et al. (1997) developed a stakeholder identification tool that analyses whether stakeholders have power, legitimacy, and urgency that could affect the firm. Agle et al. (1999) confirm that these three attributes lead to influence and impact. Similarly, Ackermann and Eden, (2011) argue for power and interest but they also reflect on explicit attention to stakeholder networks (Rowley, 2003).

Therefore, it can be argued that firms would pay the most attention to those legitimate stakeholder groups who have power and urgency. In practice, this might mean, for example, that firms with problems relating to employee retention would attend to employee issues as a priority.

It is worth noting that stakeholder groups are dynamic over time. This means responses can be issue-based depending on the stakeholder or stakeholder group (Bryson, 2004). For example, environmental groups' issues became more urgent to resource firms following environmental incidents. Some examples where this has happened include Exxon Valdez, BP's Macondo, and BHP/Vale's Chile tailings (Patten, 1992). Similarly in Australia, heritage and indigenous issues arose after Rio Tinto's Juukan gorge incident, resulting in significant changes in the regulatory environment. Moir (2001) contends that many commercial approaches to CSR point to the importance of stakeholder analysis, however, the rationale for it is largely instrumental. Nevertheless, some elements are also normative. For example, advocating that CSR should be based on set purposes and values that are also linked to company reputation and success. It can therefore be argued that the normative stakeholder sets the CSR ethical values and expectations, while the instrumental stakeholder drives the actions to implement processes to comply with the set values, resulting in managing risk. This allows the firm to strategically balance organisational risks and opportunities while also considering stakeholders' wants and needs (Tang et al., 2015).

According to Zandvliet and Anderson (2017), there are CSR critics who misunderstand stakeholder engagement and see it as giving in to non-government organisations (NGOs) or community activists. Consequently, successful management is a function of optimising long-term benefits for the organisation as a result of finding out, understanding, and reconciling diverse stakeholders' interests (Ackermann & Eden, 2011). The significance of cultivating strong stakeholder relationships is evidenced by firms that have faced hostility from communities and other stakeholders such as Brent Spar, and the Coal

Seam Gas protests in New South Wales (Lloyd et al., 2013). To illustrate how strong relationships operate, mining companies like BHP and FMG are working with communities in the Pilbara region of Western Australia, by undertaking projects that embrace education and training, local sourcing, improving quality of life, and encouraging healthy living. Therefore, to develop strong relationships, firms must create an enabling environment to recognise and investigate the key ingredients to form worthwhile relations, considering the firm's internal environment (Calvano, 2008).

With CSR, a business can act responsibly not because it wants to enhance and protect its commercial interest but because of an implied societal expectation for it to operate responsibly. This has seen theorists such as Donaldson and Dunfee (1999) advance stakeholder theory by developing the integrated social contracts theory to support managers in making responsible decisions. The integrated social contracts theory differentiates between macro social contracts and micro social contracts. In CSR the macro social contract is the expectation that a business provides some support to its local community while the micro social contract is the specific intervention.

Businesses explain their participation as “societal expectation” a way of describing their social contract adoption and involvement. This is supported by a recent study in Australia by the CCPA of motivations by a business for community involvement (CCPA, 2000). The study finds that one of the main commercial benefits for the extractives industry was the licence to operate (Moir, 2001). Furthermore, the study finds that expectations of Australian businesses' social role are changing partly because this role contributes to business performance by maintaining trust, support, and legitimacy with its stakeholders. As noted by Suchman (1995) this might be regarded as part of the commercial benefit of enhanced reputation, which links also to gaining and maintaining legitimacy.

Stakeholder theory has also been viewed as having some influence and convergence with a resource-based view (RBV) of the firm (Freeman et al., 2021). A RBV advocates that to attain its objectives, an organisation must design its internal capabilities to adequately respond to both the internal and the external environment, that is, use its competencies to its best advantage (Branco & Rodrigues, 2006). Freeman et al. (2021) suggest there are four aspects that stakeholder theory can offer to inform a RBV: normativity, sustainability, people, and cooperation. Freeman et al. (2021) thus propose that a RBV, can greatly benefit from the inclusion of the four key elements from stakeholder theory: (a) incorporating normativity, (b) recalibrating the idea of sustainability, (c) viewing people beyond resources, and (d) allotting more room for cooperative behaviours. Such a unified approach can support the main reason for a firm's existence and deliver on its promise in response to one of the criticisms of CSR, that is, it impacts business purpose by neglecting other stakeholder interests.

### *2.3.2 Agency theory*

Agency theory assumes that a corporate manager must act as a fiduciary agent who makes decisions for the benefit of shareholders. At face value, this means it would restrict participation in CSR as it is not perceived to be consistent with profit maximisation or does not increase shareholder wealth. Agency theory is rooted in economic theory and was initially expounded by Alchian and Demsetz (1972) and expanded by Jensen and Meckling (1976). It is defined as the "relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent" (Jensen & Meckling, 1976 p. 308).

Agency theory is based on two key participants, namely the shareholders who are the owners or principals of the company, and the agents who are then engaged to undertake work on behalf of the shareholder (Eisenhardt, 1989; Clarke, 2004). These two key players have a bearing on the conceptualisation of agency theory and its application. This is because the theory conceptualises the

organisation as essentially being made up of two participants, namely the managers and the shareholders. Agency theory is premised on the assumptions of the model of people as rational actors intending to maximise their utility (Jensen & Meckling, 1976). Therefore, agency theory presents both agents and principals as looking to gain the maximum possible utility from the least possible investment (Shapiro, 2005). As such it follows that presented with the two options, the rational agent or principal will select the alternative that maximises individual utility. As corporations grew larger over time there was a need to separate ownership and control of wealth, even though owners would rather manage their businesses themselves to maximise their utility (Berle & Means, 1932).

The separation of ownership and wealth may be because most modern businesses require capital outlays that are beyond individual owners (Berle & Means, 1932). Consequently, the modern corporation typically has more than one owner, looking to maximise their utility. Jensen and Meckling (1994) also noted a weakness in the 'model of man' basis for agency theory in that it relies on simplistic mathematical modelling and an impractical characterisation of human behaviour. As noted by Doucouliagos (1994) labelling all motivation as self-serving does not explain the intricacy of human behaviour. Theorists like Frank (1994) argue that the assumptions underpinning agency theory limit its generalisability because the human model does not suit the demands of social reality and social existence.

According to Jensen, (1983) agency has evolved into two key thought streams namely positivist and principal-agent. These two lines of thought are based on the principal and agent relationships and assumptions about people, organisations, and information. The only difference between them is their mathematical rigour, dependent variables, and style. Positivists contend that there are potential situations for conflicting goals between principal and agent, in particular relationships between owners and managers of large, public

corporations (Berle & Means, 1932). Furthermore, they outline the governance mechanisms that may restrict the agent's self-serving behaviour (Eisenhardt, 1989). These governance mechanisms and processes can have implications as internal drivers of CSR in an organisation (Frynas & Yamahaki, 2016). For example, an effective board of directors can drive managers to behave ethically, thus driving CSR (Tricker, 2015).

To this end, Eisenhardt (1989) contends that family firms are less affected by agency costs because the management comprises family members, hence leading to minimised agency costs. The positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders' value. Indeed, agency theory can be employed to explore the relationship between ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. It is important to point out that the agent may not necessarily make decisions in the best interests of the principals (Jensen & Meckling, 1976). Such a problem was first highlighted by Adam Smith in 1776 and subsequently explored by Ross (1973) and confirmed by Davis et al., (1997). This agent action which is not aligned with the principal interest may lead to a loss of utility by the principal or shareholder.

Therefore, due to the potential for shareholder loss to emanate from the agency, principal, conflict, or divergence of interest (Eisenhardt, 1989), several governance mechanisms have been highlighted in the literature. The most prominent of these are executive compensation schemes and governance structures (Demsetz & Lehn, 1985; Jensen & Meckling, 1976). As indicated by Frynas and Yamahaki, (2016) such governance mechanisms may internally influence CSR in organisations. For example, executive compensation schemes such as bonus and share schemes, are based on reward and punishment and linked to firm performance to align principal-agent interests.

It is hoped that the prospect of managers gaining compensation based on the fulfillment of shareholder objectives sufficiently motivates them to act in the shareholders' interests while driving CSR. Davis et al (1997, p. 23) argue that "such incentive schemes are particularly desirable when the agent has a significant informational advantage and monitoring is impossible". In such circumstances, the incentives are the only way to motivate the agent as governance mechanisms may be hard to implement. However, another way to align agents and their principals' interests is through the governance structure. Governance structures like boards of directors provide a check for potentially self-serving managers through audits and performance evaluations (Fama & Jensen, 1983). Furthermore, the boards also function as shareholders' representatives, to manage agency costs through effective management oversight.

If the utility interests of the agents and principals are aligned, then the agency problem does not arise because they both benefit from the increases in their utility. However, the potential for misalignment between agents' and principals' interests and utility choices is significant, leading to losses for the principal. Furthermore, the principal cannot always confirm that the agent has behaved appropriately because it is difficult or expensive. Therefore, the objective of agency theory is to minimise the agency costs incurred by principals by imposing internal controls to manage the agent's self-serving behaviour (Jensen & Meckling, 1976). Walsh and Seward (1990, p. 444) argued that "if a firm's managers entrench themselves with the sole objective of ensuring their own power, prestige, and pre-requisites, the organization is likely to lose sight of its competitive environmental position and will fail." In this light, agency theory implies that these entrenched managers can use CSR to favour the other stakeholders in exchange for their support to help establish their position, thus disadvantaging the shareholders. Likewise, they may also misrepresent CSR disclosure and performance to hide their unethical behaviours.

As noted by Walsh and Seward, (1990) the failure of internal control mechanisms suggested by agency theorists, can result in more expensive, external control mechanisms. For example, hostile takeovers or divestitures are seen as a response to self-serving managers. Consequently, there is a preference for less expensive internal control processes to protect principals' interests (Walsh & Seward, 1990). There may also be a problem if the principal and agent have different attitudes towards risk leading to different actions (Jensen & Meckling, 1976; Ross, 1973). Such differences in risk preferences may lead to a manager making a selfish decision that aligns with their ambition, thus demonstrating a connection between the CSR approach and risk (Frynas & Yamahaki, 2016). Therefore, it is important to note that agency theory is premised on deciding the most effective arrangement governing the principal-agent relationship considering assumptions about people. These controls do not always result in managers' behaviours leading to an increased utility for principals, however they motivate the managers to work in the best interests of their principals. Furthermore, there are many reasons other than poor motivation for agents failing to deliver high performance for their principals.

In summary, agency theory proposes a constricted sense of corporate purpose as espoused by Friedman (1970). The agency structure is applicable in a variety of settings, ranging from macro-level issues such as a regulatory policy to micro-level phenomena such as blame, impression management, lying, and other expressions of self-interest. According to the agency view, the incentive for managers to engage in CSR reflects the poor incentives of managers at socially responsible firms. It, therefore, discourages CSR adoption and implementation because it signifies that adoption of CSR implies a manifestation of agency problems. Rather, managerial incentives should be more aligned with shareholder value maximisation. Despite its constricted implications towards CSR, agency theory has been applied to organisational phenomena which have a bearing on CSR such as compensation (Eisenhardt, 1989), acquisition and diversification strategies (Amihud & Lev, 1981), board relationships (Fama &

Jensen, 1983; Kosnik, 1987) and ownership and financing structures (Jensen & Meckling, 1976). Therefore, agency theory has some influence albeit limited, on the direction and outcomes of CSR in firms.

### *2.3.3 Stewardship theory*

As discussed in Section 2.3.1, agency theory has predominantly been used to define organisational theory and business policy, where the managers are the agents, whose interests may be at variance with their principals, the shareholders (Davis et al., 1997). However, this has not always been the case, particularly the assumption about managers' individualistic utility motivations, as this ignores organisational complexities which are not always homogeneous. As a result, stewardship theory has developed as an alternative to agency theory (Donaldson & Davis, 1991). In this respect, stewardship theory is defined as circumstances whereby managers are not motivated by their self-interests but act as stewards driven by personal goals congruent with their principals' objectives. Davis et al., (1997, p. 25) define stewardship theory as an approach where "a steward protects and maximises shareholders wealth through firm performance because by so doing, the steward's utility functions are maximised". The stewardship approach to CSR means that CSR is embedded into the organisation at every level and members of the organisation truly believe in the company's mission, values, and vision. Therefore, stewards are organisational leaders who work, protect, and create value for the shareholders.

Stewardship's theoretical contribution is still developing. However, despite the basis for stewardship theory (Donaldson & Davis, 1991; Karns, 2011), there is limited literature defining it. Stewardship theory posits that organisational success is a motivator for stewards (Davis et al., 1997). In this process, Donaldson and Davis, (1991) note that stewardship theory acknowledges that the steward needs to be enabled through organisational structures that give autonomy based on trust. Stewardship theory contends that autonomy based on mutual trust empowers employees and managers to pursue maximisation of shareholders'

utility and minimise the costs incurred in monitoring and controlling behaviours (Davis et al., 1997).

Researchers have previously contrasted agency and stewardship theories but failed to examine the psychological and situational underpinnings of stewardship theory (Donaldson & Davis, 1991; Fox & Hamilton, 1994). It is important to have a clear understanding of manager characteristics and the situation to fully comprehend the manager-principal interest dynamics (Davis et al., 1997). Contrary to agency theory, stewardship theory does not emphasise individualism (Donaldson & Davis, 1991). Instead, it focuses on organisational leadership as stewards, whose self-goals are aligned with organisational objectives.

According to stewardship theory, people are inherently good-natured and inspired to support their organisations by performing their assigned roles and responsibilities. As noted by Davis et al., (1997) stewardship theory assumes that there is a direct correlation between a firm's success and the principal's satisfaction. In this regard "stewards are assumed to be collectivists, pro-organisational, and trustworthy" (Davis et al., 1997 p. 20). As such, stewardship theory demonstrates an alternative description of the drivers behind managerial behaviour in different firms, having clear implications for CSR. This is because it assumes that managers will engage in CSR voluntarily to support organisational outcomes. A key aspect of stewardship theory is the autonomy and resources entrusted to the steward to achieve organisational goals (Davis et al., 1997). This means that the organisational resources directed at ensuring that the steward acts as expected are reduced because a steward is naturally inclined to behave in alignment and consistent with, organisational objectives (Muth & Donaldson, 1998). However, it must be noted that a lack of support and autonomy for the steward, can also reduce their motivation (Argyris, 2017). Therefore, according to stewardship theory, if managers are left on their own, they will act as responsible stewards of the assets they control.

Some theorists have argued that managers are also driven by self-interest and thus protect their reputation as good leaders. As a result, they are driven to run organisations to the best of their ability, to boost financial performance, and at the same time, to increase shareholders' utility (Daly et al., 2003). This is because their reputation is directly linked to meeting organisational objectives as it can impact their careers. In this respect, it can be safely argued that stewards can support the implementation of CSR as they want to protect their reputation through organisational success. Managers are also concerned about the perception of their leadership qualities. In their careers, they are as perceived as competitive stewards of their firms (Clarke, 2004). The stewardship model is akin to Japanese managerial culture (Davis et al., 1997). This culture is flat, decentralised, and anchored on team-based systems. These systems support the Japanese workers to act as stewards, by assuming genuine ownership of their responsibilities. Furthermore, they work studiously in accomplishing them (Abdullah & Valentine 2009). Donaldson and Davis (1991) argue that stewardship theory "stresses the beneficial consequences on shareholder returns of facilitative authority structures which unify command by having roles of CEO and chair held by the same person" (1991, p62).

In relation to CSR, stewardship theory is illustrated by the concept of product stewardship and environmental stewardship (Matten & Moon, 2008). Product stewardship is based on two concepts: lifecycle thinking and shared responsibility. Lifecycle thinking is the concept that a produced or manufactured product has potential social, ethical, and environmental impacts that need to be managed from the cradle to the grave. Shared responsibility espouses the notion that everyone is responsible, including the company that produces the product, consumers, and others, to mitigate the potential impacts (Matten & Moon, 2008). The concept of environmental stewardship implies the idea of humankind caring for the natural environment, although accountability is directed towards future generations. This is the basis of the Brundtland commission's statement which proposes the idea of intergenerational equity obliging every generation to pass

on that which has been entrusted to them in the same, or better, state as they found it (Ashrafi et al., 2020). However, it has been argued that organisations use these terms despite doing little, as they are afraid of imperilling shareholder interests.

#### *2.3.4 Legitimacy theory*

Legitimacy theory is premised on the principle that a social contract exists between business and society, having evolved from a blend of management theories; namely, management theory, institutional theory, and stakeholder theory (Burlea & Popa, 2013; Suchman 1995). Therefore, the content and scale of CSR activities depend on the relationship between societal expectations (e.g., in the form of prevalent social ideologies), managers' attitudes to what they think are legitimate societal expectations, and business behaviour. According to Suchman (1995, p. 574), “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Therefore, “organisations seek to establish congruence between the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are a part” (Dowling & Pfeffer, 1975, p.122). Organisational legitimacy is achieved when the two value systems are aligned or congruent, resulting in organisational credibility (Dowling & Pfeffer, 1975). In relation to CSR, legitimacy theory describes a process whereby companies disclose social responsibility information to present a socially responsible image as a way of legitimising their behaviours to their stakeholder groups.

All is well when there is congruity between the two value systems, however any incongruity introduces the potential threat to organisational legitimacy such as legal, economic, and other social sanctions (Dowling & Pfeffer, 1975). An organisation's social perception is built upon whether its activities are meeting societal norms and expectations such as economic, social, and environmental governance (McWilliams et al., 2006). When an organisation's activities do not

meet societal norms and expectations, the organisation may be harshly sanctioned by society resulting in the collapse of organisation (e.g., Enron). This blend of growing demands and scrutiny on business performance on the one hand and the related societal acceptance of business operations on the other is called the social licence to operate (SLO) (Bice, 2014; Moffat & Zhang, 2014). Failure to gain SLO has resulted in many conflicts between communities and businesses. Such community conflict has been shown to have high financial, opportunity, and personal costs to the extractives industry. This type of conflict has recently been shown to be among the largest risk concerns in the sector (EY, 2021; PwC, 2021). SLO has developed into one of the dominant CSR approaches for businesses to ensure legitimacy, particularly the extractive sector companies.

However, some leading researchers criticise CSR and SLO as being unable to deliver on their promise of delivering win-win outcomes for companies and the communities in which they operate (Brueckner & Mamun, 2010; Banerjee, 2008; 2012). This is important considering that the key objective of stakeholder theory is that company leaders must listen, understand, and account for all their company's stakeholders (i.e., impact its activities and are impacted by its activities). In a study to understand how multinational mining companies operating within Australia articulate their SLO, Bice (2004) observed that companies were not specific in the way they defined and maintained SLO. Furthermore, they concluded that “key criteria for a social licence within the mining industry could be more defined” (Bice 2004, p. 62). This could be a source of criticism for CSR, particularly as it makes measuring the impact of CSR difficult.

Although the benefits of CSR are well understood, criticism is often directed at business-society relationships. The business impact on society continues to be overlooked and/or poorly assessed. CSR continues to be judged from a business perspective as opposed to a community perspective (Banerjee, 2008). Yet,

communities that face organisational impact may fail to understand notions of social value creation. For example, CSR reports delve into taxes paid, and describe one-off projects and related expenditures, but do not explore changes in real-life outcomes. Multinational mining companies have been rewarded or lauded for their CSR initiatives, and yet they are operating in communities with no basic services, for example, no running water, electricity, or roads (Banerjee, 2008; Zueva & Fairbrass, 2021).

Furthermore, the dynamic nature of societal values and norms has forced organisations to review and reflect on their value systems. There is a need to recognise the criticality of legitimacy for the success of their operations as it clarifies the interrelationship between tangible financial resources with intangible legitimacy resources (Burlea, 2013). That said, legitimacy theory has also been criticised for being seen only as a “plausible explanation of managerial motivations” (Owen, 2008, p. 248). Moreover, social and accounting researchers argue that the disclosure of ESG information must be supported by completed material actions that demonstrate that the organisation has met the societal expectations (Lindblom 1994; Mobus 2005; Tilling & Tilt, 2010). The problem, however, is that it is difficult to monitor, measure, and quantify the ESG efforts and hence difficult to hold organisations accountable for their ESG performance claims.

Legitimation is the process by which an organisation obtains its legitimacy. A legitimation strategy is an important mechanism that influences the perception of the organisation by its stakeholders. In attempting to be seen as a responsible member of the community who respects societal norms, organisations frequently pursue legitimation through a variety of substantive and symbolic practices (Gunningham et al., 2004). According to Suchman (1995), there are three types of organisational legitimacy: (1) pragmatic; (2) moral; (3) and cognitive. An organisation goes through these types of legitimacy throughout its full existence from set up to ensure its survival, (Zucker 1987). Initially, the organisation must

gain cognitive legitimacy, to support and develop its moral legitimacy to validate its social existence both internally and externally. In doing so, the organisation is establishing its pragmatic legitimacy which then guarantees its own survival (Burlea & Popa., 2013; Suchman 1995). These three types of legitimacy are linked to a firm's CSR approach. Its internal and external environments can also play a role in risk management. For example, corporate scandals like the BP Oil Spill, Bhopal Disaster, and Enron, show the consequences of ignoring legitimacy theory.

The organisation's internal and external environments have a critical bearing on how the organisation is perceived by its stakeholders. The external environment plays a critical role in either reinforcing or restoring cognitive legitimacy (Gunningham et al., 2004). This is because the internal and external knowledge resources drive the legitimation process, utilising past experiences to formulate and drive future strategies. This is achieved by the organisation visibly undertaking short-term activities that are acknowledged as important by its key stakeholders (Suchman 1995). The intention for the short-term projects is to create an environment conducive to maturing its legitimacy.

However, because legitimacy is a social judgment that is ultimately accorded to the organisation by its constituents can be problematic because it is both abstract and subjective (Burlea & Popa., 2013). Therefore, organisations that pursue this social judgement run the risk of being perceived as precisely the opposite, manipulative and illegitimate. According to Ashforth and Gibbs (1990, p.121), "such organisations include (1) the clumsy actor, perceived as unethical, heavy-handed, or insensitive, (2) the nervous actor, perceived as dogmatic, intolerant, or evasive, and (3) the overacting actor, perceived to overstate claims to legitimacy or overreact to faults". These attempts to increase legitimacy may inadvertently trigger a series of vicious cycles which ultimately decrease legitimacy (Ashforth & Gibbs, 1990).

Environmental incidents caused by companies like Exxon Valdez, Shell, BHP Limited, and Alcoa have harmed the industry image (Patten, 1992). This results in them being perceived as polluters and irresponsible, thus revealing the consequences of not adopting legitimacy theory among other theories (i.e., stakeholder theory, stewardship theory, etc). In this context, legitimacy is an important intangible resource, and like any resource, it must be managed carefully, especially if the organisation's image has been affected by major incidents (Tilling & Tilt 2010). Suchman (1995) identifies three key challenges of legitimacy management: (1) gaining; (2) maintaining; and (3) repairing legitimacy. Suchman (1995) argues that "legitimacy management rests heavily on communication" therefore legitimacy theory involves considerations of corporate communications. This is echoed by Lindblom (1994) who argues that organisations that face legitimacy threats can adopt any of the following legitimation strategies namely (1) seek to educate its stakeholders about the organisation's intentions to improve that performance (2) seek to change the organisation's perceptions of the event (but without changing the organisation's actual performance (3) distract (i.e., manipulate) attention away from the issue of concern and (4) seek to change external expectations about its performance.

Therefore, in the context of CSR, legitimacy might be seen as a key reason for undertaking corporate social behaviour and then using that activity as a form of publicity or influence (Lindblom 1994). Similarly, CSR within the business is potentially motivated by some form of principle, as described in social contracts theory. It could be to voluntarily develop and implement voluntary ESG disclosure of information to provide enhanced reputation or legitimacy to the firm. The degree of stability of the organisational legitimacy depends on (1) the quality of the organisational management (2) the efficient allocation of resources and efficient use of scarce resources (3) the solidity of normative standards of conduct and (4) the increase of the visibility of socially responsible activities in the external environment simultaneously with its regulatory autonomy.

Ashforth and Gibbs (1990, p. 180) consider that extending legitimacy is important “to win the confidence and support of wary potential constituents” and, in the meantime, legitimacy must be defended from the negative impact of corporate scandals. Thus, the strategic nature of voluntary social and environmental disclosures, and therefore CSR, is reflected in annual reports. Guthrie and Parker, (1989) in their historical analysis of social disclosures in 100 years of annual reporting by a dominant corporation in the Australian mining/manufacturing industry, conclude that legitimacy theory is the primary explanation for social reporting in Australia. Therefore, legitimacy theory has the role of explaining the disclosure of social, economic, and environmental information (Mobus, 2005).

In summary, the theories discussed in this section have a bearing on and help explain the outcomes of CSR’s role in risk management. These outcomes are summarised in Table 2.1

**Table 2.1: Theoretical approaches and their contribution to CSR and risk**

Theoretical Approach	CSR Contribution
Agency Theory	The relationship between the board of directors’ composition and readiness to implement CSR. CSR reporting as a tool for information exchange, the reduction of asymmetry and promotion of corporate transparency.
Stakeholder Theory	Emphasises the interrelationship between a business and its various stakeholders, including investors, customers, employees, and suppliers.
Stewardship Theory	CSR is embedded into the organisation at every level and members of the organisation truly believe in the company’s mission, values, and vision
Legitimacy Theory	Drives the motivation behind voluntary CSR disclosure/reporting as a legitimacy and reputation management tool responding to pressures by stakeholders.

Stakeholder theories are premised on establishing a network of relationships with the different stakeholders and listening to and considering their inputs as part of managerial processes. Agency theory argues that engaging in CSR is a waste of shareholder resources. Instead, the focus should be on shareholder-manager relationships. Stewardship theory posits that autonomy based on mutual trust empowers employees and managers to pursue maximisation of shareholders' utility and minimise the costs incurred in monitoring and controlling behaviours. Legitimacy theory is premised on the principle that a social contract exists between business and society; therefore, a business must legitimise its behaviours to its stakeholder groups to be perceived as socially responsible. This study, through research question 1 seeks to understand the nature of CSR in Australia and through research question 2, seeks to understand CSR's critical success factors regarding the different theories. In doing so, the study also seeks to explore and understand the contribution of these theories to CSR and risk management. The implications of these theories on CSR in Australia's extractives sector are discussed in chapters 8 and 9.

## **2.4 Arguments For and Against CSR**

While support for CSR is undoubted (e.g., Du et al. 2010; Matten & Moon, 2008; Malik, 2015) there has been ongoing debate challenging the legitimacy of CSR. Historically, one of the key challenges for business is whether organisational leaders should focus on matters other than those directly linked to profitability (Friedman, 2007). Should businesses be there for societal well-being or should they, as Levitt (1958, p.50) argued, run their affairs "as if it were at war. And, like a good war, it should be fought gallantly, daringly, and above all, not morally." This section will look at the reasons for and against CSR.

### *2.4.1 Arguments in Favour of CSR*

Friedman's argument that the social responsibility of businesses begins and ends with profit maximisation no longer applies in the modern world (Friedman, 2007) This is because other stakeholders beyond shareholders can have a significant

effect on an organisation's success or lack of success. The following section discusses the arguments in favour of CSR.

#### *2.4.1.1 Business Survival*

Some scholars have argued that businesses exist primarily because they provide an important utility to society. This has seen theorists Donaldson and Dunfee (1999) advance the stakeholder theory by developing the integrated social contracts theory to support managers make responsible decisions. Therefore, it is the responsibility of businesses to consider all potential stakeholders as they are the ones from whom the business received permission to conduct its activities (Cantrell et al., 2015). However, if businesses use that permission to conduct their affairs in a manner that is not acceptable to societal expectations, they face externally imposed controls over their behaviour; thus society will limit the permission or take it away altogether (Davis, 1973; Nguyen, 2018).

This supports and is consistent with SLO or legitimacy theory, which suggests that a business operates in society under a social contract through which it agrees to undertake certain socially acceptable activities in exchange for the endorsement of its objectives, and hence its survival (Guthrie & Parker, 1989). As such, CSR supports organisations to conduct themselves in ways that portray them as legitimate businesses.

#### *2.4.1.2 Prevention of Regulatory Pressure*

A key motivation for a business to be socially responsible is to prevent future regulatory intervention, which interferes with and limits a business's adaptability (Porter & Kramer, 2006; Prno, 2013). Some scholars have argued that if businesses were willing to surpass their regulatory obligations, it would remove the need for government interference or, as a minimum, reduce it (Louche et al., 2017). Therefore, organisations that anticipate and initiate responses incur fewer costs than those that wait for problems to materialise before reacting. According to Davis (1973), the delay by businesses to address social problems results in

resource wastage by responding continuously to social fires and leaving no time to create value for its shareholders. As such, CSR could be a tool to preemptively avoid government regulations and interference in the business.

#### *2.4.1.3 Business Resources*

Carroll and Buchholtz (2000) argued that modern-day social problems are to an extent a result of business activities and therefore businesses should accept responsibility and contribute to addressing problems such as poverty and inequality. For that reason, businesses should have relevant and effective resources including management talent, functional expertise, and capital, and use these resources to solve social problems (Davis, 1973). This link between resources and responsibility has been highlighted in the literature and by industry leaders for a long time (Windsor, 2006). These business resources are regularly demonstrated through comparison to country GDPs. According to Babic et al. (2017), of the 100 largest economies in the world in 2016, the global top 100 consisted of 29 countries and 71 MNCs. As such, it can be safely argued that businesses are well-placed to support the resolution of social problems.

#### *2.4.1.4 Business Sustenance*

Finally, CSR has been legitimised on the basis that it is in the long-term interest of the organisations involved (Moir, 2001). Furthermore, Gallego-Álvarez et al. (2011) suggested that CSR is a critical driver of firm performance through learning and innovation, and therefore enhances business performance and sustenance. This was supported in the early days of CSR with Ostlund finding that the most important reason for CSR as identified by business leaders was that “it is in the long-run self-interest of the business to get directly involved in social issues” (1977, p. 38). This is because CSR acts as a tool to attract (Lim & Greenwood, 2017), motivate (Flammer & Luo, 2017), and retain (Elaine, 2017) a talented workforce; attract customers (Porter & Kramer, 2006); enhance the firm’s reputation (Fragouli & Ekruka, 2016); or improve operational effectiveness through innovation and the efficient use of resources (Rexhepi et al., 2013).

In summary, these arguments for CSR provide some responses to RQ 1 (nature and characteristics of CSR), RQ2 (Critical Success Factors for successful implementation of CSR), and RQ4 (role of CSR in risk management). These points will be discussed in greater detail in Section 2.5.

#### *2.4.2 Arguments Against CSR*

While there are CSR proponents, there are also those who argue that CSR should not be part of modern business. However, it needs to be highlighted that those who argue against CSR generally fail to acknowledge the full extent of CSR (Ciocoiu & Mosoia, 2016; Porter & Kramer, 2006). Carroll and Buchholtz (2000) argued that a lot of those who criticise CSR have a narrow view of CSR, by only considering the ethical and philanthropic categories. Indeed, even Milton Friedman (1970), one of the most ardent critics of CSR, was in favour of three of Carroll's four elements of CSR (economic, legal, and ethical) and only had reservations regarding the philanthropic category (Carroll, 1999). Du et al. (2010) highlighted that stakeholders' low awareness of, and unfavourable attributions towards companies' CSR activities, could be addressed through effective communication of CSR to stakeholders. The following section outlines the arguments against CSR distilled from the literature.

##### *2.4.2.1 Diminishes the Principal Purpose of a Business*

CSR has for a long time faced the frequent criticism that it is not the primary role of a business, which is the classical economic doctrine of profit maximisation as argued by Friedman (1970). This argument has been repeated by Friedman and has always overshadowed conversations on CSR and business ethics ever since Friedman published it. Friedman's position is supported by Henderson (2009), who argued that CSR is a "misguided corporate virtue," which would make "the world poorer and more over-regulated," and called the social role of business fundamentally subversive. This was reinforced by Coors and Winegarden (2005, p. 11), who stated rather bluntly that "if a company is engaging in CSR activities, it had better be using those activities to garner customers and increase profits, or

else management is not fulfilling its duties.” However, this argument also strengthens the business case for strategic CSR as one that benefits both the firm and society (Nguyen, 2018). Renneboog et al. (2008) further argued that organisations that engage in CSR at the expense of profit maximisation may not survive the competitive and disciplinary actions from the market. This could even lead to a hostile takeover by other organisations, a change in leadership, or a demerger e.g. BHP exiting its coal business or separating selling off the petroleum business to Woodside (Australian Broadcasting Corporation, 2021).

The central criticism of CSR is that it diminishes the principal role of business by spending valuable business resources on social issues and compromising competitive position while needlessly raising the cost of doing business. Barnett (2007, p. 795) concurred: “devoting corporate resources to social welfare is tantamount to an involuntary redistribution of wealth, from shareholders, as rightful owners of the corporation, to others in society who have no rightful claim.” However, the flaw in this argument is the assumption that organisations make a profit in a vacuum. What Friedman and his supporters did not understand is that risk management is part of making money and increasing shareholder value (Albuquerque et al., 2019). As such, any processes that seek to increase shareholder value, such as CSR, should be welcomed as business-friendly (Chen & Chang, 2015; Godfrey et al., 2009).

#### *2.4.2.2 Regulatory Compliance*

There have been arguments that once a business has complied with the relevant legislation, it will have acquired its responsibility to society (Levitt, 1958). However, as suggested by Lantos (2001), there are shortcomings in the legislation particularly its narrow scope, as it only sets the minimum acceptable standard, representing merely a floor or minimum level of business responsibility. Furthermore, the law is reactive rather than proactive, which leads to a time lag between social expectations and the law. This is because the law may not reflect society’s contemporary values and expectations for business conduct to

safeguard stakeholders' interests (van Marrewijk, 2003). This is illustrated by the Juukan Gorge incident where Rio Tinto assumed that complying with regulatory requirements and not the spirit of the legislation was enough. In addition, the law is vulnerable to business lobbying and influence, particularly as most businesses use lobbying efforts to get their viewpoint across (Lock & Seele, 2018). As such, complying with the law is not sufficient on its own in managing organisational risks. Therefore, this study provides an opportunity to investigate the potential for CSR to support a holistic approach to risk management as outlined in RQ4 (What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry).

#### *2.4.2.3 Competence*

According to Friedman (1970), businesses are not social welfare organisations because they do not have the requisite competences to solve social issues; therefore, they will penalise their shareholders if they engage in CSR. Furthermore, they cannot decide what is best for society, as noted by Davis (1973, p. 318): "if we are going to depend on someone to work with social problems, why to choose a group which is poorly qualified?" This argument is echoed by Levitt (1958), who stated that business managers are in their positions because they are experts in business, not in social issues. Managers are more aligned and well-versed in corporate finance and business operations and do not have the necessary expertise to make social decisions (Davis, 1973).

#### *2.4.2.4 Business Power*

Babic et al. (2017) suggested that there is no valid reason to grant a business social power when it currently has considerable power in society; for example, economic, environmental, and technological power. As such, this would be surrogating an important responsibility that affects society to businesses, thus negatively impacting the balance-of-power problem that already exists in our society. This is important because a 2016 survey found that 71 of the global top

100 largest economies in the world were MNCs (Babic et al., 2017). Therefore, the business has a huge bearing and influence on the wellbeing of society due to its disproportionate share of economic power. Furthermore, Levitt (1958, p. 46) argued that because of such power, businesses know no limits and abuse this power because it is “ministering to the whole man and moulding him and society in the image of the corporation’s narrow ambitions and its essentially unsocial needs.”

Overall, although CSR has increased in popularity and uptake, there remains an unresolved, long-running debate about the value of corporate responses to CSR concerns (Young et al., 2013) and its role in risk management (Albuquerque et al., 2019).

## **2.5 Critical Success Factors**

There are several Critical Success Factors (CSFs) that affect the successful implementation of CSR, both in the public and the private sector (Yakovleva, 2017), and they may be internal or external to the organisation. The CSFs include the drivers, motivators, and barriers to the successful uptake and implementation of CSR (Govindasamy & Suresh, 2017; Laudal, 2011). As demonstrated by Keinert (2008), the strategic implications for successful CSR uptake are not based on willingness to engage or adopt CSR, but on the implementation. In addition, other aspects affect CSR that may not be classed as either “drivers” or “barriers”. For example, Laudal (2011) argued that management attitude is a factor that influences CSR but it is not always categorised as a “driver” or “barrier” because successful implementation of CSR requires a favourable management attitude. The following is a brief description of CSR’s CSFs as internal and external drivers and barriers to CSR adoption.

### *2.5.1 CSR Drivers and Motivators*

Whatever the CSR drivers may be for an organisation, CSR adoption is motivated and triggered by specific events – events that bring about a commitment by the organisation to initiate CSR activities (Liang & Renneboog,

2017). These include eco-disasters – for example, an environmental pollution incident or international standards – and these drivers are usually not mutually exclusive. Hemingway and Maclagan (2004) identified strategic and moral factors such as ethics, values, profitability, reputation, and stakeholder requirements as key CSR drivers. Table 2-1 list the key CSR drivers.

**Table 2.2: CSR Drivers**

<b>CSR Driver</b>	<b>Example</b>
Shareholder pressure	Exit business perceived as environmentally unfriendly e.g., BHP/Woodside’s petroleum business deal
Eco-disaster	Environmental pollution incident
Changes at a senior level	Replacement or new appointments to the board
New standards	ISO 26000 Social Responsibility
Local government requirements	New legislation
Lack of success in attracting staff	Specialist skills, e.g., engineers, geologists
Community pressure	Class action
Board demand	Governance issues
Cost–benefits and efficiencies	Sustainability or waste minimisation
Risk of regulation	Forward planning
NGO attack	Greenpeace oil rig protests
Staff requests/staff survey	Educational support
Publicity, e.g., on climate change	International treaties
Reputation crisis	Human rights issues, e.g., child labour
Competitor advance	Hybrid cars
Customer demand	ISO 9001 Quality management systems

Source: Hemingway & Maclagan, 2004; Laudal, 2011; Liang & Renneboog, 2017; Matten & Moon, 2004; Munyikwa, 2012; Nguyen, 2018

### 2.5.2 CSR Barriers

The key internal barriers to CSR adoption and implementation include a lack of resources; for example, financial resources and human resources such as talent, knowledge, and expertise (Laudal, 2011). Lack of measurement systems to demonstrate the tangible value of CSR has also been highlighted as a barrier to CSR (Weber, 2008). External barriers include government, customers, media organisations, and technology (Laudal, 2011). Poor corporate governance, a lack of understanding and awareness, no support from top management, a lack of skills and training, and a lack of employee motivation are also listed as barriers (Branco & Rodrigues, 2006).

## 2.6 CSR and Sustainability Standards

Sustainable development or the sustainability concept has become increasingly relevant in a corporate executive's agenda following the Brundtland Report in 1987 (Aras & Crowther, 2013). There are several CSR and sustainability standards in use in the extractives sector and beyond. According to Bondy et al. (2004), there are several reasons why businesses adopt these voluntary standards, such as forming a part of the organisation's internal control system, reducing insurance premiums due to lowered risk profiles, improving brand loyalty, and as a pre-emptive measure to counter accusations of bad business practice. Table 2-2 provides a summary of the standards commonly mentioned in the literature. This is followed by a brief discussion on the Global Reporting Initiative and Global Compact, which are the two most popular CSR/sustainability standards.

**Figure 2.3: The International Standards, Guidance, and Principles for Social Responsibility Commonly Mentioned in the Extractives Industry Literature**

<i>Standard/Guidance</i>	<i>Institution</i>	<i>Certifiable</i>
ISO45001	International Organisation for Standardisation	Yes
Global Compact	United Nations	No
ISO 14001 Environmental management systems	International Organisation for Standardisation	Yes
ISO 26000 Social Responsibility	International Organisation for Standardisation	Yes
Guidebook on Engaging Communities in Extractives and Infrastructure Projects	World Resources Institute	No
Performance Standards on Social and Environmental Sustainability	International Finance Corporation (IFC)	IFC clients must comply
SA8000	Social Accountability International	Yes
Guiding Principles on Business and Human Rights	United Nations	No
Sustainability Reporting Framework	Global Reporting Initiative (2014)	Yes
International Council on Mining and Metals (2008a)	Sustainable Development Framework	Yes
Equator Principles	The Equator Principles Association	Yes
Extractives Industry Transparency Initiative	Extractives Industry Transparency Initiative	No

Sources: Liang & Renneboog, 2017; Matten & Moon, 2004; Munyikwa, 2012

### *2.6.1 Global Reporting Initiative*

The Global Reporting Initiative (GRI) sustainability standard is the most widely adopted sustainability standard to support organisations in reporting their environmental, social, and economic performance as part of their accountability to stakeholders (GRI, 2020). GRI started in 1997 and has evolved from a niche practice to adoption by industries across the world, with 96% of the world's largest 250 companies (G250) adopting the GRI standards (KPMG, 2020). Any organisation, public or private, large or small, can adopt and implement the GRI standards to protect the environment as well as enhance governance and stakeholder relations (Boiral & Heras-Saizarbitoria, 2017). However, GRI standards have not been free from criticism, particularly due to the varied and inconsistent tools used by the different assessors and certifiers and the lack of understandability of assurance statements by the majority of the Sustainability Reporting (SR) stakeholders (Viviers & Boudler, 2010).

Furthermore, some organisations that claim to participate in GRI engage in unacceptable conduct themselves around sustainability, particularly corruption, environmental protection, greenhouse gas (GHG) emissions, social equity, and human rights (Boiral & Heras-Saizarbitoria, 2017). Nevertheless, GRI has been lauded as supporting CSR by ensuring that organisations support social wellbeing through providing an effective sustainability reporting process that provides both internal and external benefits to organisations (Viviers & Boudler, 2010).

### *2.6.2 United Nations Global Compact*

The United Nations Global Compact (UNGC) ranks as the world's largest sustainability standard (Li & Wu, 2020). It helps organisations conduct their affairs responsibly by aligning their strategies and operations with Ten Principles on human rights, labour, environment, and anti-corruption as well as focusing on collaboration and innovation to drive wider societal aims such as the UNSDGs

(Sethi & Donald, 2014). To advance broader societal goals, companies are encouraged to follow the UNSDGs, illustrated in Figure 2-3.

**Figure 2.4: UN Sustainable Development Goals**



Source: UN, 2008

Despite its successes, the UNGC has been criticised for lacking serious penalties, effective monitoring, and enforcement provisions. Lau et al. (2017) argued that if implemented well, it represents a significant opportunity to change corporate behaviour. They proposed using social media and management education to drive both awareness and competence of the UNGC.

In summary, the CSR approaches described above provide some basis for investigating the role of CSR in risk management as outlined by RQ1 (nature and characteristics of CSR), RQ2 (Critical Success Factors for successful implementation of CSR), and RQ4 (role of CSR in risk management).

## **2.7 CSR in the Extractives Sector**

The world has seen a rise in the demand for energy and minerals to meet ever-increasing global needs (Du & Vieira, 2012). In tandem, the extractives sector has been at the forefront of CSR adoption and implementation (EY, 2021). Despite CSR being adopted by MNCs and other large firms in the extractives industry, it remains poorly adopted by many companies, particularly smaller companies and those operating in poorly governed countries (Janssen et al., 2015). As such, a key issue at the forefront of CSR is gaining a local SLO (Andeobua et al., 2016; Fragouli & Ekruka, 2016). Over time, particularly from the late 1980s into the 1990s, the extractives industry has experienced increased

scrutiny of its operations, impacting the perception of its environmental and social impacts (PwC, 2020). Furthermore, public opinion of the natural resource extraction industries is evolving and increasingly being influenced more by concerns over ESG performance than by business performance (EY, 2018). This was primarily due to high-profile incidents and accidents such as tailings dam failures, chemical spills, and conflicts with communities (Frederiksen, 2018). This has seen societal and community concerns morphing into targeted action against extractives industry operations and projects at the community level.

Extractives firms have to establish systems to support the management of the impact of their operations on society and the environment, HR (Elaine, 2017), government relations, and community affairs (Arjalies & Mundy, 2013), as well as regulatory issues (Buhmann, 2016), procurement, and the supply chain (Curkovic & Sroufe, 2011). To this effect, some organisations have adopted management systems such as ISO 14001 to manage their environmental impacts (Curkovic & Sroufe, 2011). The increasing impacts of extractives projects are driving extractives companies to collaborate with stakeholders, including governments, to reduce the impacts of boom and bust cycles of extractives projects, which have the potential to negatively impact local economies, real estate swings, and tax/royalty revenues, particularly in resource-rich countries such as Australia, Canada, and South Africa (Berkowitz et al., 2016; Coombs & Holladay, 2015; Louche et al., 2017).

Extractives projects are mostly large-scale projects, which often result in considerable environmental and economic impacts affecting local communities and entire economies (Brueckner et al., 2014). For this reason, respecting human rights is now important in addition to the political and socioeconomic issues linked to such projects in ensuring companies secure and maintain their SLO (Brueckner, 2014). Firms are now expected to have implemented practices that avoid corruption, ensure transparency, promote local participation, drive sustainable environmental management, and protect human rights in the supply

chain (Kernaghan, 2012). As such, companies are adopting CSR to set up systems including assurance mechanisms throughout their supply chain to ensure that they manage the impacts to the satisfaction of all stakeholders (Curkovic & Sroufe, 2011).

Extractives sector companies are resource intensive, particularly in terms of energy, land use, and water. To this effect, resource-intensive industries such as mining, oil, and gas are investing in innovative solutions for sustainable water and land use management and carbon reduction initiatives (Berkowitz et al., 2016). Stakeholder and community issues, such as labour have also become significant issues for MNCs following several violent confrontations between workers and employers in countries such as South Africa, Kazakhstan, and Indonesia (Lambrechts & Blomquist, 2016). These confrontations can be attributed to the failure of organisations to listen, consider, and appropriately respond to stakeholder concerns in line with the objective of stakeholder theory (Cordeiro & Tewari, 2015; Freeman, 1984). For example, employees in the mining, oil, and gas sector, particularly contract workers, are forcing companies to establish better pay and working conditions, especially in countries with poor or non-existent worker rights protection. Worker protection includes occupational health and safety, that is, providing a safe environment for the employees to undertake business (Jain et al., 2011). More recently we have seen a drive to establish diversity and gender equity within the extractives sector (EY, 2018).

Over time, the way the extractives industry operates globally has been fundamentally shaped by evolving societal expectations (Brueckner et al., 2014). This has been compounded by communities pressing extractives sector companies for increased engagement in their decision-making around such operations (Young & Thyil, 2014). Furthermore, these communities believe that they should receive a considerable portion of the benefits accruing from the extractives activities while at the same time demanding guarantees that these activities are regulated (Prno, 2013). This blend of growing demands and scrutiny

on business performance on the one hand and the related societal acceptance of such extractives industry operations on the other is called the social licence to operate (SLO) (Moffat & Zhang, 2014; Prno, 2013). It has resulted in some organisations adopting the stakeholder, legitimacy, or stewardship theories of CSR discussed in section 2.3 to support their SLO.

To deal with the CSR pressure from stakeholders, organisations employ two strategies: compliance and strategic adaptation as part of gaining and sustaining their SLO (Zheng et al., 2015). Therefore, a SLO demonstrates the evolving character of the relationships between the extractives sector and communities and other stakeholders forcing organisations to engage in CSR reporting and transparency to satisfy SLO (Brueckner, 2021). In many ways, a SLO is an attempt by organisations to seek legitimacy for their operations (Sarker, 2013). However, Guthrie and Parker (1989) argued that legitimacy theory is not the primary explanation of CSR. It is well established that the term “SLO” has been applied and adopted most extensively within the extractives industry as part of a response to alleviate conflict with communities (Bice, 2014). Such conflict with communities has been shown to have high financial, opportunity, and personal costs to the extractives industry (Calvano, 2008; Prno, 2013). Indeed, community issues have recently been shown to be among the largest risk concerns in the extractives sector (EY, 2021; PwC, 2021) with Moir (2001) noting that a key commercial benefit of CSR for the extractives industry in the Australian study CCPA (2000) was the SLO. Therefore, as discussed in section 2.3 companies engage in activities that support the gaining of a SLO and its retention.

As a result, the increased focus by society on the conduct and behaviour of the extractives industry has raised the appetite for direct engagement of the affected communities with the extractives industry (Calvano, 2008; Kemp et al., 2011). Consequently, community relations are now recognised as a strategic part of managing risk and opportunity, and establishing a SLO is in essence, part of how companies manage some of their community and stakeholder-based risk

(Frederiksen, 2018; Story & Price, 2006). Recent research proposes that to effectively understand how a SLO in mining, oil and gas development, and other resource-related projects is granted and maintained, we need to take account of the processes mining companies use to engage with local communities; for example, the work currently undertaken in Australia by the Cooperative Research Centre for Transformations in Mining Economies (CRC-TiME) in mine rehabilitation (CRC-TiME, 2020; Moffat & Zhang, 2014). Part of the motivation of this study is to investigate the role of CSR in risk management in the Australian extractives sector.

The adoption of CSR has also been seen to drive internal governance, with corruption and lack of accountability being tackled by many poorly governed but resource-rich countries, particularly through developed countries driving their MNCs to do business responsibly (Fragouli & Ekruka, 2016; Story & Price, 2006). The United Kingdom (UK) and United States (US) governments have developed and strengthened the codes of practice and legislation around corporate governance over time; for example, the Turnbull guidance, revenue transparency, such as the UK Anti-Bribery Act and the US Dodd-Frank Act (Young & Thyl, 2014). This was only implemented after realising that there were divergent views regarding the efficacy of voluntary mechanisms. Nevertheless, there is a consensus among stakeholders on the need for greater transparency to drive accountability and responsibility across the extractives sector (Fragouli & Ekruka, 2016; Young & Marais, 2012). CSR in the extractives sector plays a role in the risk management process. The next section will introduce the broad subject of risk management before linking this to CSR.

In summary, the extractives sector companies have found it necessary to adopt CSR and other such voluntary initiatives because the public opinion of the sector is poor, with public opinion of natural resource extraction industries influenced more by concerns over ESG performance than by business performance. Pressure groups have consistently targeted the sector at local and international

levels, challenging the industry's legitimacy; for example, the community and stakeholder resistance faced by the Jabiluka uranium mine in the Kakadu National Park in Australia, NGO campaigns such as Oxfam's Mining Campaign, and Friends of the Earth International's Mining Campaign. Furthermore, access to capital now requires consideration of both risk management and social responsibility performance; for example, it is common practice for mining companies to be screened out of Socially Responsible Investment (SRI) funds altogether (Renneboog et al., 2008). Lastly, maintaining SLO is a constant challenge to the extractives sector as noted earlier in Section 2.3.2.

## **2.8 Implementation of CSR and the Board of Directors**

This section discusses the role the board can play in CSR and corporate governance. That said, the role of the board in CSR has been a subject of considerable scholarly attention as discussed below.

### *2.8.1 Board of Directors and CSR*

Considerable scholarly attention has focussed on the role of the board in driving the integration of CSR into corporate governance. Successful integration is affected by the governance approach adopted by the organisation and the theoretical approach underpinning it, namely stakeholder theory, agency theory, legitimacy theory, and stewardship theory. The differences in these theoretical approaches and the focus they have on the different aspects of organisational management were discussed in section 2.3. Consequently, these differences influence the style, autonomy, and focus of the board of directors. It is important to note that the board of directors is responsible for, and oversees the governance and management of an organisation (Fama & Jensen, 1983; Jensen & Meckling, 1976; Baxt, 2012; Tricker, 2015). It is the responsibility of the company's shareholders to approve the appointment of the board and hold them accountable for the company's performance. Furthermore, as Daily et al. (2003) note, the board ensures the provision of resources that are essential to the success of the organisation.

The board of directors, therefore, has a key role in determining whether CSR is adopted and if so, the CSR approach taken by the organisation. Where CSR has not been adopted, the board can play a role in influencing this process guided by the organisation governance approach (Jamali et al., 2008). The board also plays a role in monitoring and ensuring the CSR is implemented and KPIs tracked (Tricker, 2015). As noted earlier, the traditional agency theory view is not favourable to CSR. Beasley et al. (2000) noted a correlation between inadequate governance structures and agency problems leading to poor performance. Unlike the other three approaches, (stakeholder, legitimacy, and stewardship approaches) agency theory focuses on the shareholder as the most important stakeholder instead of considering the concerns and interests of all stakeholders. For example, in a study analysing the relationship between environmental violations and the dimensions of corporate board structure, McKendall et al., (1999) concluded that the value of stock owned by corporate officers and directors was positively and significantly associated with serious environmental violations.

According to Harjoto and Jo (2011, p. 45) organisations that “use governance mechanisms, along with CSR engagement, to reduce conflicts of interest between managers and non-investing stakeholders” see more success in managing the relationships than those who do not. The board of directors, as part of organisational corporate governance, forms a key component in the development of a company’s CSR direction (Helfaya & Moussa, 2017). However, to be effective in driving CSR, part of a director’s responsibility is to ensure that an effective corporate governance structure operates in the company by driving and optimising complementarity between the board and the company’s management (Galbreath, 2016). Such an approach would advocate for the stakeholder, legitimacy, and stewardship approaches.

Many factors affect a board’s effectiveness in supporting CSR. These include gender, training, experience, and social proximity (Malik et al., 2020;

Sithipolvanichgul, 2021). The research on issues relating to board composition has often produced inconsistent findings. Some studies report that outside directors are positively associated with CSR performance (e.g., Webb, 2004), while others report the opposite or no effects (e.g., McKendall et al. 1999). Although prior research generally supports a positive relationship between female directors and CSR performance (e.g., Webb, 2004), some studies show mixed or no effects (e.g., Post et al. 2011; Stanwick & Stanwick, 1998).

In their research on the link between gender and CSR decisions on Australian boards, Rao and Tilt (2020) concluded that gender diversity influences CSR decisions. In the same light, a board can derail CSR and sustainability initiatives in an organisation through strong social ties (among outside and inside directors) that lead to ineffectiveness in monitoring CSR activities (Park et al., 2018). This is consistent with Zhang et al. (2013, p. 381) that “greater presence of outside and women directors is linked to better CSR performance within a firm’s industry”. Furthermore, in societies where nepotism is prevalent, board effectiveness in driving good corporate governance and CSR is compromised (Park et al., 2018). Harjoto and Jo (2011) found that “the CSR choice is positively associated with governance characteristics, including board independence, institutional ownership, and analyst following”. They concluded that “CSR engagement positively influences operating performance and firm value” (2011, p. 45).

In a study of 394 socially responsible (SR) firms, Webb (2004) investigating the structure of the board of directors at SR firms concluded that SR firms have characteristics associated with effective board structures. A key feature from this study was that “SR firms have more outsiders and women directors, and less instance of CEO/Chairman duality than non-SR firms” (p. 255). The board should be diverse enough to support a governance structure that ensures the setting and achievement of realistic financial performance and growth as well as CSR targets (Harjoto et al., 2015). It is the board’s responsibility to ensure that risk is effectively managed while considering all stakeholder interests rather than

shareholders only (Lipton et al., 2011). Board diversity allows complementarity with management as well as the widening of perspectives and experiences, thus increasing chances of both good governance and CSR uptake and implementation (Francoeur et al., 2017; Galbreath, 2016).

Previously, empirical researchers have attempted to validate either agency theory or stewardship theory as the "one best way" to enable corporate governance and assign effective board roles, thereby assuming that all managers are either stewards or agents. The results of these studies have resulted in mixed findings. They show that there is a need for both agency theory and stewardship theory explanations of management (Donaldson & Davis, 1994). For example, several researchers found that the agency prescription of independent board leadership is associated with higher firm performance (e.g., Daily & Dalton, 1994). Other researchers found that stewardship's executive-chaired boards have significantly higher corporate performance (e.g., Donaldson & Davis, 1989, 1991). Still, others suggest there is no significant difference in firm performance between the executive and outsider-chaired boards (e.g., Chaganti et al, 1985). The mixed support for agency and stewardship theories suggests a need to reconcile these to drive responsible business. Therefore, there is a valid argument for the boards to adopt a mix of the best aspects of the different approaches (stakeholder, legitimacy, agency, and stewardship theories) to optimise business and CSR performance.

Overall, the different leadership approach engaged by an organisation has a key bearing on the effectiveness of the board in supporting CSR. Agency theory has been used to argue that managers over-invest in CSR activities to self-promote and "build their reputations as good global citizens" (Harjoto and Jo, 2011, p. 45). Such an approach does not support good CSR. Managers can only engage CSR that favours their interests but are not necessarily good for the organisation. Therefore, it has been argued that firms with effective governance structures are more attractive to shareholders and investors because of their effective

governance structures (Webb, 2004). This is consistent with earlier findings by Fama and Jensen (1983), who concluded that performance has a positive effect on the number of appointments held by a director. Consequently, those directors appointed for CSR firms that are more likely to be performing well are most likely to be appointed to other company boards. Using CSR as a measure of firm performance, Zhang et al. (2013) concluded that deliberate structuring of corporate boards may be an effective approach to enhance a firm's moral legitimacy.

## **2.9 Conclusion**

This chapter summarised the history of CSR and discussed CSR practices and their application, specifically in the extractives industry. It outlines the history and evolutionary pathways of CSR. It provides an informative insight into CSR underpinned by an exploration of current thinking, alongside a working definition of CSR as it is employed in this research. It highlights that CSR has its supporters and those who doubt its effectiveness. There have been critical voices of CSR since the late 1950s when Levitt (1958) warned businesses against engaging in CSR activities as they were ambiguous and added no value to the business's objectives. The key problem area for CSR has been its ineffectiveness in addressing community issues for the extractives industry. Community issues have now become one of the foremost problems for the extractives industry and the industry is looking at engaging in CSR to support its response to the ever-increasing problem.

The chapter discusses the different theoretical approaches to CSR namely stakeholder theory, agency theory, legitimacy theory, and stewardship theory, and their application to major CSR approaches and analyses their characteristics. These theoretical approaches have been selected as they are most cited in the literature on CSR. It is important to note that these theoretical approaches are interlinked and share some of the practices. Furthermore, it examines the reasons for and against CSR and the critical success factors for

CSR implementation. The different approaches to CSR have a direct bearing on the outcomes and effectiveness of CSR. Agency theory focuses on the shareholder as the most important stakeholder whose concerns need to be considered. On the other hand, stakeholder, legitimacy, and stewardship approaches have a more holistic outlook that listens to and considers all stakeholders. This is because these approaches consider stakeholder interests, the interests of which sometimes materialise as risks to the organisations. It can indeed be proposed that CSR has a role in the process of risk management for the organisation. However, the effectiveness of these approaches to risk management is determined by which approach has been adopted and implemented.

This chapter discussed that to deal with the CSR pressure from stakeholders, organisations employ two strategies: compliance and strategic adaptation as part of gaining and sustaining their SLO. It noted that a SLO demonstrates the evolving character of the relationships between the extractives sector and communities and other stakeholders forcing organisations to engage in CSR reporting and transparency to satisfy SLO. Therefore, in many ways, a SLO is an attempt by organisations to seek legitimacy for their operations.

This chapter also discussed the Critical Success Factors (CSFs) that affect the successful implementation of CSR, both in the public and the private sectors. CSFs may be internal or external to the organisation and include the drivers, motivators, and barriers to the successful uptake and implementation of CSR. The CSF is important because they are a key determinant of the strategic implications for successful CSR uptake. This is because CSR success is not based on willingness to engage or adopt CSR, but also on the implementation, particularly the CSR approach selected, and the level of internal support provided by the board of directors.

A summary of major CSR standards and their implementation in the extractives sector was discussed. Two of the most adopted standards were discussed, namely the Global Reporting Standard and the United Nations Global compact. The choice of standards seems to be influenced by the theoretical approaches underpinning the CSR approach adopted, with ESG appearing to be more popular as evidenced by Global Reporting Standard and the United Nations Global compact.

Finally, the chapter reviews the role of the board of directors and governance in relation to CSR, underpinned by current literature. It notes the influence that the board of directors can have on CSR adoption, its implementation, and its effectiveness. Overall, this chapter has provided a basis for understanding current CSR approaches and how they interact with other managerial practices. It has also provided insight into how these practices affect organisational performance as well as being affected by organisational structure, composition, and leadership. The next chapter will discuss risk management practices and consider various approaches to risk management in the extractives sector.

## Chapter 3 Risk Management

### 3.1 Introduction

This chapter introduces the concept of risk management in relation to this study. Section 3.2 discusses the history of risk management and Section 3.3 covers the risk categories. The importance of risk management and risk management strategy is discussed in Section 3.4, and Section 3.5 outlines the risk management process. Section 3.6 discusses Enterprise Risk Management (ERM) and the Committee of Sponsoring Organizations of the Treadway Commission's three lines of defence model of risk management and governance. The factors affecting risk management are discussed in Section 3.7, which is followed by a brief discussion on the role of the board of directors in risk management in Section 3.8 and the conclusion in Section 3.9. Overall, the chapter explores risk management in relation to the industry under study, the extractives industry.

### 3.2 History of Risk Management

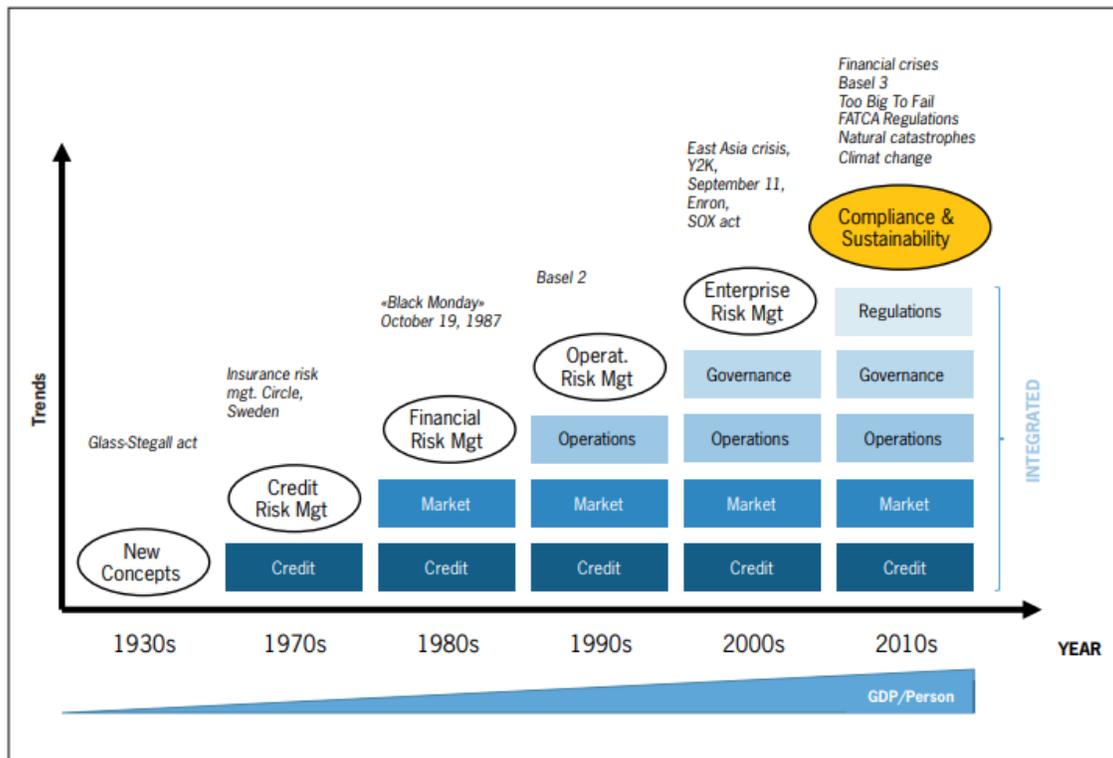
Despite the word "risk" often evoking feelings and unfortunate connotations of hazard, danger, exposure to mischance, or peril to most people this has not always been the case (Dionne, 2013). Risk is thought to have its origins in the Italian verb *riscare* (*risicare* in modern Italian) meaning "to dare", that is, to choose a course of action that could succeed or fail (Dionne, 2013). This meaning implies both positive and negative aspects of risk. For example, the *Oxford English Dictionary* has among its definitions for risk as a verb:

- To hazard, endanger; to expose to the chance of injury or loss.
- To venture upon, take a chance.

Throughout history, risk management has been linked to market insurance for the protection of people and organisations from potential loss due to accidents (Nocco & Stulz, 2006). The ISO 31000 Risk Management standard simply defines risk as the effect of uncertainty on objectives (Kalia et al., 2015; Lalonde

& Boiral, 2012). There are two factors needed for risk to exist: firstly, uncertainty as to the outcomes of an endeavour; and secondly, that the outcomes must matter in terms of providing utility, which, in an organisational context means a meeting of strategic and business objectives (Hoyt & Liebenberg, 2011). An overview of the major risk management milestones in the last 100 years is graphically presented in Figure 3-1.

**Figure 3.1: History of Risk Management**



Source: Kalia et al. 2015, p. 59

Since Babylonian times, risk management has been applied in many different spheres of life and business (Dionne, 2013; Hopkin, 2018). For example, early lenders managed risk by lowering the chances of loan non-payment by restricting the total sum loaned to individual borrowers while linking it to the ability to repay. Newer concepts of risk management started developing in the 1930s. However, it was not until after World War 2, particularly in the 1960s, that risk management was formally named as a discipline, and the governance process was defined (Dionne, 2013; Sadgrove, 2016). In the 1970s and early 1980s, financial risk

management emerged as another risk discipline along with market and credit risk management as a response to Black Monday in 1987. Black Monday was a sudden stock market crash on October 19, 1987, impacting all major world markets. This was followed by the emergence of operational risk management in the 1990s, for example Basel 2, which was intended to amend international banking standards that controlled how much capital banks were required to hold, to guard against their financial, operational, technological, and safety risks. The corporate crisis such as Enron, and the East Asia financial crisis of 1997 saw the development of ERM in the new millennium to support the management of enterprise-wide governance risks. As the world advanced and climate change presented as a key issue, regulatory risk emerged in part to compliance issues that had developed from regulations such as Basel 2, Sarbanes Oxley (SOx), thus placing compliance and sustainability as one of the major risks facing business (Dionne 2013).

Historically, the risk management process predominantly focused on “pure risks in which there is either a loss or no loss” (Dionne, 2013, p. 149). This had a binary approach to risk from the perspective of whether something bad happens or it does not (Dionne, 2013). This was due to several reasons. Firstly, the discipline of risk management was dominated by those from the insurance discipline (Hopkin, 2018). Secondly, the focus on pure risks was influenced by the fact that for many organisations pure risks characterised the most significant immediate threats to the profitability and survival of an organisation; for example, a fire event could quickly destroy a business (Dionne, 2013). Finally, a poor understanding of other risks compounded by the lack of tools and alternatives to address financial risks; for example, interest rate shifts or equity market changes, led to the focus on pure risks in the early days (Hopkin, 2018).

A firm’s total risk is generally the combination of systematic and unsystematic risk and its source can be internal or external factors with the potential to impact its operations (Godfrey et al., 2009). Systematic risks are often called market risks

as they influence a large number of assets (Hopkin, 2018). Unsystematic risks are called firm-specific unique risks because they affect a small number of assets (Godfrey et al., 2009). There are many sources of risk, including project failures, legal liabilities, financial market uncertainty, credit risk, accidents, natural disasters, and terror attacks just to mention a few (Hopkin, 2018). These risks can be realised during construction, operations, maintenance, and decommissioning activities, negatively impacting business outcomes.

### **3.3 Types of Business Risk**

As noted in Section 3.2, the definition of risk has evolved from just focusing on negative events. There are two types of events that can happen to firms, namely, negative events, which are known as risks, and positive events, which are known as opportunities (Aras, 2013). According to ISO 31000, the risk is the effect of uncertainty on agreed or expected objectives (Lalonde & Boiral, 2012). Ritchie and Marshall (1993) stated that risk management involves three steps to effectively mitigate risk: the identification, assessment, and ranking of the risks. This involves a coordinated approach to investing resources to minimise, monitor, and control the probability and impacts of the risks (Ackermann et al., 2007; Hopkin, 2018). However, the current literature on the role of CSR in risk management is not consistent or holistic in its approach as it focuses on individual risk types such as safety, environmental, financial, project, and reputational. A holistic approach to CSR may support the development of risk management approaches that are complementary to each other (Ackermann et al., 2007). The lack of a holistic approach between CSR and risk management motivates this study.

Business risks are broadly categorised into groups. Several types of risks can be grouped into broad categories; for example, some researchers group risks into four types – strategic, financial, operational, and strategic (Hopkin, 2018; Sadgrove, 2016). However, this research follows the risk groups as identified in

the research literature, namely, strategic, operational, reputation, compliance or regulatory, and financial. Each of these areas is discussed below.

### *3.3.1 Strategic Risk*

The global financial crisis demonstrated the need for companies to link strategy and risk management (Frigo & Anderson, 2011; Hopkin, 2018). Strategic risks cover the key organisational issues and therefore require organisations to look at the big picture concerning their operations. These strategic risks are usually addressed at the board level and require strategic planning, and their consideration includes elements such as competition, customers, technology, innovation, and regulatory or political issues (Eden & Ackermann, 2013; Ritchie & Marshall, 1993).

### *3.3.2 Operational Risk*

The chance of loss in any organisation due to its daily operations is known as operational risk (Marchetti, 2012). Operational risks are related to the organisation's productivity or operations; therefore, an operational risk event is "always an institutional rather than a natural fact" (Power, 2005, p. 587). However, unlike strategic risks, operational issues are dealt with at lower levels of the organisation, although they still require board oversight (Hopkin, 2018; Sadgrove, 2016). Examples of operational risk include people, computer hacking, internal and external fraud, occupational health and safety, and environmental, including pollution, GHG emissions, biodiversity and heritage, and tailings (Brueckner et al., 2014; Gallego-Álvarez et al., 2011; Jain et al., 2011).

In Australia, companies are expected to report their GHG emissions under the three main emissions categories (i.e., Scope 1, Scope 2, and Scope 3) as developed by GHG protocol standards. This has seen organisations push for a reduction in scope 2 and scope 3 emissions in their supply chain. Scope 1 emissions are those that result directly from the organisation's premises. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Scope 3 emissions are the result of activities from assets

not owned or controlled by the reporting organisation, but that the organisation indirectly impacts in its value chain.

### *3.3.3 Reputational Risk*

Reputational risk is defined as the potential for events to harm an organisation's reputation (Fragouli & Ekruka, 2016). With the rapid growth and influence of social media, organisational leaders need to be acutely aware of the importance of their company's reputation. Organisations with strong positive reputations stand to gain over others as they attract better people, and their stakeholders perceive them to provide more value, hence they can charge a premium for their products or services (Hogarth et al., 2018). However, many firms do not manage their reputations well, as evidenced by BP's Macondo and Texas refinery incidents (Elkind et al., 2011) and by Rio Tinto in the aftermath of Rio Tinto's Juukan Gorge incident in 2020 (Natalie, 2020). Furthermore, the ever-evolving value systems of society and stakeholders are a significant deciding factor of reputational risk, particularly as societal norms change with time.

### *3.3.4 Compliance or Regulatory Risk*

The risks posed to an organisation due to regulatory breaches or violations of industry codes of conduct or standards of practice are called compliance or regulatory risk (Marchetti, 2012). Compliance issues play an important role in risk management, particularly because they are already mandated by legislation and regulatory considerations (Moeller, 2011). The key driver of compliance requirements is to ensure that there is fair and ethical business conduct through compliance regulations (Prno, 2013). Examples include the Sarbanes-Oxley Act, environmental, occupational health and safety regulations, climate change, quality, social responsibility, corruption, employee behaviour, and data management regulations (Hopkin, 2018; Moeller, 2011). Compliance risk has been increasingly important for many organisations with the increase in stakeholder interest and expectations as well as the proliferation of global regulations (Aras & Crowther, 2013).

### *3.3.5 Financial Risk*

Financial risk is defined as the potential loss due to changes in “financial markets, credit risk, foreign exchange rates, liquidity risks, and credit risk” (Jorion, 2002, p. 241). Rising costs present a financial risk to mining because cost reduction has to be sustainable to maintain productivity (Mitchell, 2020). The basic tools of financial risk management are forwards, futures, swaps, and options (Hsu & Chen, 2015; Jorion, 2002). Poor management of financial risks can be detrimental to the survival of a business. Examples of poor financial risk management include Barings Bank which folded in 1995 due to \$1.3 billion in losses in futures and options; Metallgesellschaft which lost \$1.3 billion in oil futures contracts; Daiwa which lost \$1.1 billion from unsanctioned derivatives trading; and Sumitomo which lost \$1.8 billion due to unauthorised copper trading (Jacque, 2010).

## **3.4 Risk Management Process**

This section discusses the process of risk management. The core elements of an effective risk strategy are presented, followed by an explanation of the risk management process. This process involves identifying and assessing risks, controlling them, and then evaluating and monitoring the process.

### *3.4.1 Risk Strategy*

The development of a risk strategy is increasingly becoming a crucial business driver, not only because it is important for business survival but also because of rising stakeholder concerns about risk (Bromiley et al., 2015). Consequently, risk is a key element in strategic decisions as it can introduce uncertainty in the organisation (Aras & Crowther, 2013). Therefore, a risk strategy supports the setting of boundaries and guidelines that enable organisations to take the right risks, at the right time, in the right way (Bromiley et al., 2015). This is determined by the organisation’s risk appetite and risk tolerance (Nocco & Stulz, 2006). According to Oliveira et al. (2019, p. 1007), risk tolerance “is the degree, amount,

or volume of risks that an organisation is willing to withstand” and risk appetite “is the level of uncertainty the company is willing to take in expectation of a reward.”

As a result, the risk structure and risk appetite allow the organisation to articulate how much risk it is willing to take, and how the right risk culture underpins effective risk management (Rogers & Ethridge, 2013). Therefore, the key core elements of an effective risk strategy are risk structure, risk appetite, and risk culture. The risk strategy, as informed by the level of risk exposure, leads to the classification of risk into unacceptable, undesirable, acceptable, or negligible, and a strategy is developed to manage each one, as illustrated in Table 3-1.

**Table 3.1: Risk Categories and How to Manage Them**

<b>Category</b>	<b>Managing strategy</b>
Undesirable	To be avoided if reasonably practicable requires detailed investigation and cost-benefit justification.
Unacceptable	Intolerable and must be eliminated or transferred.
Acceptable	Can be accepted provided the risk is managed.
Negligible	No further consideration is needed.

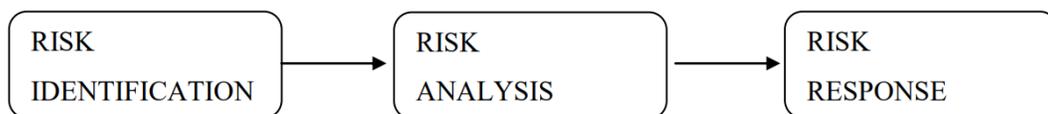
Source: Godfrey & Halcrow, 1996

The next section looks at the risk management process.

### 3.4.2 Risk Management Process

The risk management process consists of several steps that are more or less closely connected (Hopkin, 2018; Sadgrove, 2016). Current risk management approaches have resulted from the evolution of what started as a straight-line process. Perry and Hayes’s (1985) model of the risk management process consists of three phases: the identification of risk sources (risk identification), the assessment of their effects (risk analysis), and the development of management response to risk (risk response), as illustrated in Figure 3-2.

**Figure 3-2: Linear risk management process**

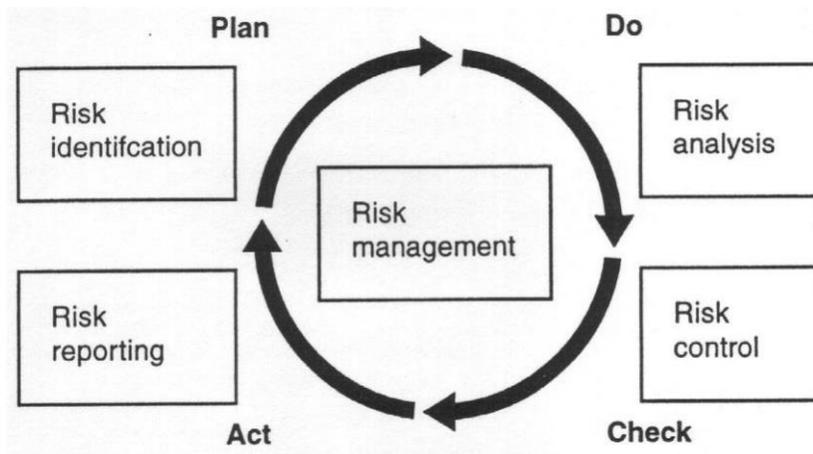


Source: Perry & Hayes, 1985

This linear process is straightforward, therefore a useful foundation for effective risk management. Unfortunately, all risk response actions may inadvertently create contemporary risks, which also need to be identified, analysed, and responded to (Hopkin, 2018). Consequently, other risk researchers suggest that risk management is a cyclical process or, that risks are considered systematically. For example, a cyclical risk management process consisting of six elements: risk identification and documentation; risk quantification and classification; risk modelling (or analysis); risk reporting and strategy development; risk mitigation, reduction, and optimisation; and risk monitoring and control (Hopkin, 2018). However, such models were criticised for being too onerous.

As a result, researchers such as Kliem and Ludin (2019) refined the process into the four elements of risk identification, risk analysis, risk control, and risk reporting, or Plan-Do-Check-Act, as illustrated in Figure 3-3.

**Figure 3-3: Cyclical risk management process**

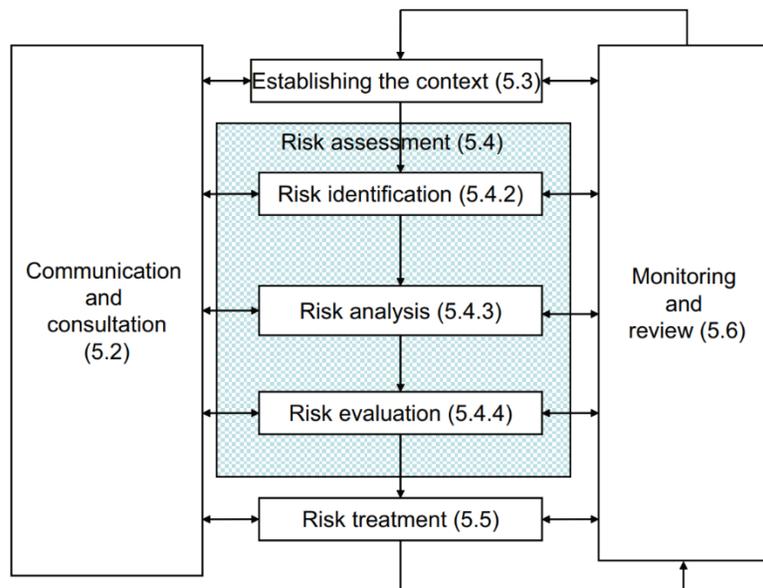


Source: Kliem & Ludin, 1997

These models formed the basis of ISO 31001 Risk management systems, which was first published in 2009 and revised in 2018, and defines risk as the “effect of uncertainty on objectives” (Wilbanks & Byrd, 2020, p. 32). This shifted attention from treating all risks as equal to the impact of a lack of sufficient information about events or circumstances affecting business processes (Aras & Crowther,

2013). As such, a key benefit of ISO 31000 thus shifts the focus from treating risks as the same across different organisations to designing the risk management processes to suit the individual business's needs and objectives. The ISO 31000 framework is shown in Figure 3-4.

**Figure 3-4: ISO 31000 Risk management**



Source: International Organization for Standardization, 2018

One of the key strengths of ISO 31000 is the common approach to supporting the implementation of standards dealing with specific risks or sectors while not replacing the respective standards e.g. financial, safety, quality, etc. (Lalonde & Boiral, 2012). ISO 31000, together with the other earlier versions of risk management systems, has evolved towards the cyclical risk management approach.

### 3.4.2.1 Risk Identification

Risk identification involves identifying and collating all risks for an enterprise (Hopkin, 2018). To effectively identify risk, it is important to explore all probable sources of risk, adverse events, and unfavourable effects of an undesirable scenario (Wilbanks & Byrd, 2020). Risk identification greatly depends on the practitioner's experience, as their experience with particular methods and

techniques of risk identification will determine whether they use or avoid them (Cai et al., 2016). There are different tools for risk identification, with the most popular being brainstorming, interviews, questionnaires, the Delphi technique, and expert systems (Kot & Dragon, 2015).

#### *3.4.2.2 Risk Assessment*

Once a risk has been identified, it is necessary to make an assessment and understand the business implications of the identified risks. The two types of risk assessment are qualitative and quantitative (Ackermann et al., 2007).

##### *Qualitative Assessment*

A qualitative risk assessment is a subjective assessment of the identified risk (Lalonde & Boiral, 2012). This is used if the data available is insufficient for numerical risk calculations as it ranks risks into low, medium, or high risk (Chapman, 2011). This qualitative risk assessment is recorded in the risk register (Hopkin, 2018). However, risks are often interconnected, that is, an activity undertaken as a risk response may give rise to another risk; therefore, it is necessary to understand the relationships between the identified risks.

Qualitative risk assessments have been criticised for being subjective and not providing a means or opportunity for combined risk evaluation or cost analysis (Sadgrove, 2016). Hopkin (2018) argued that it is difficult to differentiate the risks within categories and that its dependency on the experience and competence of the risk assessment team makes it harder to implement when teams are inexperienced. Furthermore, qualitative risk assessments have been accused of leading to vague plans that are difficult to implement (Kot & Dragon, 2015).

##### *Quantitative Assessment*

Risks are quantitatively analysed if it is possible to estimate the probability of an event based on available information about similar past events, information reached in another way, or based on personal experience (Hopkin, 2018). Many

methods of quantitative risk analysis are in use today, with the best-known five beings (1) simple assessment, (2) probabilistic analysis, (3) sensitivity analysis, (4) decision trees, and (5) the Monte Carlo Simulation (Mun, 2010).

These quantitative risk analysis tools have been criticised for several weaknesses. Firstly, the reliance on software tools, which despite helping may add costs to the operations or project, as well as requiring training for people to be able to use the software (McNeil et al., 2015). Secondly, a necessary dependence on experts because the interpretation of the results can only be done by those who understand the scientific basis of the tools e.g., understanding statistical principles to prevent misinterpretation (Anderson, 2014). Furthermore, software-based results create spurious confidence by implying a level of precision that cannot be substantiated by input data (Mun, 2010).

#### *3.4.2.3 Risk Control*

There are four key strategies (discussed in Section 3.7.1) to manage threats from risks: avoidance; reducing the negative effect or chance of it occurring; transferring all or part to another party; retaining some risk or all the risk of a particular threat. The opposite applies to opportunities (Hopkin, 2018). Once risks have been controlled, the next step is to evaluate and monitor them over time to ensure that the controls are effective (Lalonde & Boiral, 2012).

#### *3.4.2.4 Evaluation and Monitoring*

The purpose of risk evaluation and monitoring is to ensure that there is an understanding of the progress and impact of the risk management options and to determine whether adaptive action is required (Marchetti, 2012). This is achieved by assessing the efficacy of the implemented risk management against the baseline situation. This informs whether the selected and implemented risk management strategies should be continued or adjusted (Lalonde & Boiral, 2012).

In summary, the risk management approaches and factors affecting risk management described in this section provide the background information to support investigating the role of CSR in risk management as outlined by RQ3 (What is the nature of risk management, and the factors that affect risk management in the extractives industry in Australia?) and RQ4 (What is the impact of CSR on risk management in the extractives industry in Australia?).

### **3.5 Enterprise Risk Management**

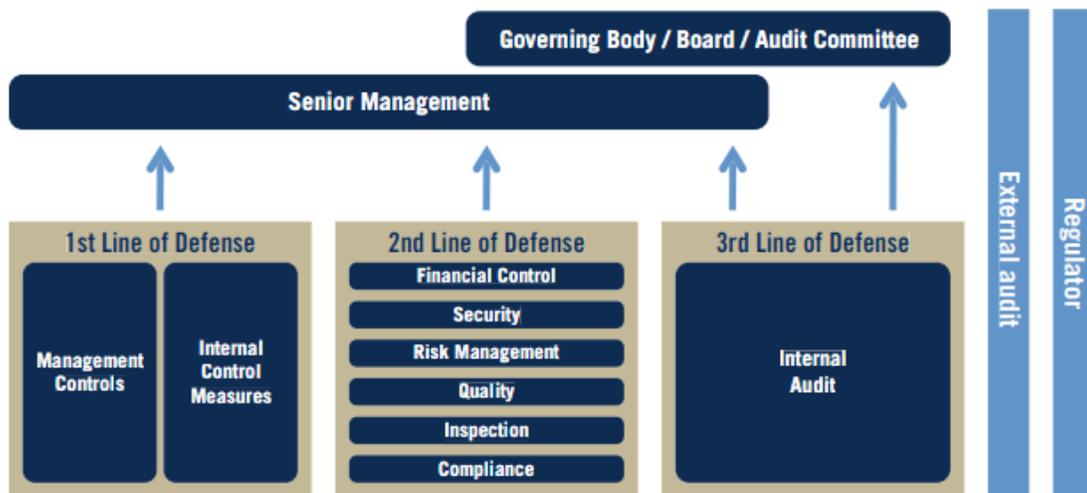
ERM is a process that manages all risks in an integrated, holistic fashion by controlling and coordinating any offsetting risks across the enterprise (Lundqvist, 2014). To effectively manage risk, organisations have to take a whole enterprise view to understand and comprehend risk exposure and the aggregate impact of cumulative risks (Bromiley et al., 2015). The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the basis of ERM. The ERM process is more or less the same as traditional risk management; however, ERM considers and manages all types of risk in an organisation in aggregate rather than independently (Hoyt & Liebenberg, 2011). Furthermore, ERM views risk as a potential profit opportunity rather than as something simply to be minimised or eliminated (Louche et al., 2017).

Decision-making under ERM has changed from professional risk managers who are there to control risk to Chief Executive Officers (CEOs) or the board of directors, who are open to accepting potentially beneficial risk opportunities (Louche et al., 2017; Nocco & Stulz, 2006; Pagach & Warr, 2011). However, the challenge for ERM is that it is dependent on the ability of those involved in the separate risk categories to develop an integrated approach and extend it to other areas of risk (Marchetti, 2012). A key strength of ERM is that it provides a mechanism for risk practitioners to apply risk management experience on a broader and more vital scale than previously (Hoyt & Liebenberg, 2011).

### 3.5.1 COSO's Three Lines of Defence Model

According to Moeller (2011), effective risk management is dependent on a process that is commensurate with organisational context, and therefore the three lines of defence model can be an effective risk management framework. This has seen the three lines of defence model being adopted by many organisations to manage risk (Fox, 2018). Figure 3-5 outlines the three lines of the defence model.

**Figure 3-5: Three Lines of Defence Model**



Source: Fox, 2018

The first line consists of the organisation's frontline staff, who are responsible for understanding their roles and undertaking their responsibilities correctly and completely (Committee of Sponsoring Organizations of the Treadway Commission, 2004). These are the people tasked with managing daily business activities, which can introduce risk to the business. Therefore, they own the risk and execute the relevant controls to minimise the risks and ensure that successfully executed business objectives are attained (Moeller, 2011).

The second line is the risk and compliance management function, which is tasked with providing independent oversight of the risk management activities of the first line (Prewett & Terry, 2018). This line has ownership of key aspects of

the risk management process and provides expertise and monitoring support to ensure that risks and controls are properly managed (Bowling & Rieger, 2005). The second line sets organisational policies to monitor compliance by the first line and its composition is dependent on organisational size and industry sector (Rogers & Ethridge, 2013).

The third and final line of defence is comprised of highly independent and objective internal and external auditors whose role is to provide oversight of both the first and second lines (Committee of Sponsoring Organizations of the Treadway Commission, 2004). This is achieved through independent reviews and audits to assess the effectiveness of risk management processes and assure organisational leadership that the first and second lines are performing as expected (Fox, 2018). It is important to ensure that audit and independent review outcomes are effectively communicated to the organisational leadership so that relevant responses are developed to sustain and improve the organisation's risk management process (Prewett & Terry, 2018).

Despite the risk governance structure and supporting ERM arrangements being relatively simple to set up, the three lines of defence model has not been without its critics. According to Fox (2018), the real challenge is in ensuring that the expectations and perceptions of risk governance and management and the board are aligned and that risk-related information is effectively and consistently obtained, analysed, and used. Bromiley et al. (2015) argued that the internal controls framework, including risk assessment, allows for intentional or unintentional deviation from effective risk management through scope creep. Another criticism levelled at COSO's guidance is that it is too generic and broad, which results in even well-intentioned firms failing to meet the requirements (Moeller, 2011).

The three lines of defence framework's early focus on financial risks also limited its appeal in industries outside the financial industry (Beasley et al., 2005) This is

mainly because risk management has evolved into a more diverse and complicated area than just internal controls over financial reporting. Another criticism is the three lines of the defence framework's limited focus on internal controls (as defined by accounting and auditing) as a mechanism to manage risk (Moeller, 2011). This is because internal controls, although important, are just one component of a comprehensive risk management framework and Prewett and Terry (2018) argued that COSO lacked the appropriate tools to effectively implement ERM. Furthermore, risk management processes need to be able to evaluate risks and the value of avoiding or mitigating these risks (Moeller, 2011).

Although limited, recent research suggests an interdisciplinary approach to risk management that uses COSO'S three lines of defence framework as the basis for coalescing focus and attention on ERM (Prewett & Terry, 2018). Overall, the literature review seems to suggest that internal controls, quantitative risk analysis, probability analysis, and decision support tools constitute the four ERM pillars required to effectively manage the complexity and diversity of risks faced by organisations (Fox, 2018; Lundqvist, 2014; Marchetti, 2012; Oliveira et al., 2019). Therefore, the motivation for this study is to explore how CSR tools can play a role and be integrated into a comprehensive risk management framework (ERM).

### **3.6 Factors Affecting Enterprise Risk Management**

A review of ERM literature returned the following key success factors for the implementation of ERM:

- Management commitment – This is central to and internally drives the implementation of ERM in the organisation (Oliveira et al., 2019).
- Understanding and making clear tolerance and risk appetite – Key elements of this factor influence business strategy to harmonise the business objectives and the level of effort and risk taken to attain the objectives (Committee of Sponsoring Organizations of the Treadway Commission, 2004).

- Seizing opportunities – This reflects an organisation’s willingness not only to see threats but also to leverage on, and seize opportunities (Wilbanks & Byrd, 2020).
- Appointing focal point for the ERM process – This has been cited as a key factor in the success of ERM because it needs to be coordinated centrally by someone with the right level of authority in the organisation to make decisions as well as provide resources. Senior executives and risk management committees have also been seen in some organisations functioning effectively as focal points for the ERM process (Pagach & Warr, 2011).
- High-risk awareness and healthy risk culture – This “must permeate in all levels of the organisation in a way that the decision-making process has risk awareness as a component” (Oliveira et al., 2019, p. 1007).
- Availability of resources – The availability and correct allocation of resources such as qualified personnel, estimates, experience, sufficient time for the implementation of ERM, tools, and techniques is key to the successful implementation of ERM (Braumann et al., 2020; Oliveira et al., 2019).
- Effective risk identification, analysis, and response – Identifying the correct risks and developing appropriate responses enable the organisation to focus on the main risks with the potential to influence business objectives (Oliveira et al., 2019).
- Appropriate risk indicators, monitoring, review, and improvement – It is important to have early warning indicators (Oliveira et al., 2019, p. 1007) that support “the risk monitoring process through the establishment of limits that are triggers for proactive actions to manage risks in conformity with the accomplished planning.”
- Clear and effective risk communication – The ease of communication between all stakeholders in risk management processes is important for successful ERM implementation. This should be supported by transparency and fluidity of the communication as well as the accuracy and agility of the

information to enable informed decision-making (Oliveira et al., 2019, p. 1007).

### **3.7 Risk Management and the Board of Directors**

The board of directors is the highest level of risk governance and thus is responsible for setting the risk appetite and tolerance of the organisation (Lipton et al., 2011; Tricker, 2015). Within the board are committees responsible for authority and oversight of risk issues (Malik et al., 2020). According to the Australian Institute of Company Directors (AICD), the board has the responsibility and accountability for reviewing and approving the overall risk management strategy, including ensuring that the management team effectively manages risk (Baxt, 2012). For effective risk oversight the board is required to meet the following principles:

- **Leadership:** Boards are effective when they steer the company to the attainment of set business objectives, both in the short and long term (Sithipolvanichgul, 2021).
- **Capability:** The board needs to be comprised of the relevant mix of skills, experience, and independence to effectively play its role (Kalia et al., 2015).
- **Accountability:** The board should be responsible to all stakeholders and therefore needs to communicate regularly with shareholders and key stakeholders (Lipton et al., 2011).
- **Sustainability:** The going concern nature of a company is crucial. The board should ensure that the organisation creates value to reinforce the perpetual succession potential of the organisation (Kalia et al., 2015).
- **Integrity:** It is the responsibility of the board to enable the organisation to conduct its business fairly and transparently (Sithipolvanichgul, 2021).

The board receives different types of information on risk in different terminology as part of its task of coordinating the firm's overall exposure. As such, there is a risk that the board and its committees receive too much information (i.e., risk noise), which overwhelms them (Lipton et al., 2011). Therefore, the board needs to know the critical risk issues that require their attention and define the type,

format, and timing of the risk information it wants to receive (Kalia et al., 2015). Without being directly involved, the board's role is to set the risk appetite (Section 3.4) of the organisation and ensure it has a risk management framework to identify and manage risk on an ongoing basis (Hopkin, 2018). As such, boards can effectively fulfil their role in risk oversight by ensuring that the organisation's risk management governance strategy is in line with the organisation's strategy and risk appetite and tolerance, as discussed in Section 3.4.

### **3.8 Conclusion**

This chapter introduces the concept of risk management in relation to the study. It accepted the general description of a firm's total risk as the combination of systematic and unsystematic risk, whose source can be either internal or external factors, and having the potential to impact its operations. It noted that there are two types of events that can happen to firms, namely, negative events, which are known as risks, and positive events, which are known as opportunities. This chapter discussed the history of risk management, key elements of the risk management process, and the factors affecting it to provide a solid background to the study. It briefly touches on the broadening sphere of risk management that increases opportunities to interact with other managerial practices like CSR. It provides a review of the key risk categories, namely strategic, operational, reputational, compliance or regulatory, and financial risk. These risk groups provide ample opportunity for interaction with CSR as they cover different aspects of managerial practice. In doing so, this chapter supports the motivation for this study to explore how CSR tools can play a role in managing the different aspects of risks as articulated in the five broad groups.

The chapter also discussed the key steps of the risk management framework, namely, risk strategy and risk management process. It highlights the increasing importance of developing a risk strategy as a crucial business driver, not only because it is important for business survival but also because of rising stakeholder concerns about risk. This is important because it creates an

opportunity for interaction with the CSR approaches discussed in Chapter 2 which places stakeholders at the centre of the conversation. The chapter notes that indeed, risk strategy can support the setting of governance structures that enable organisations to take the right risks, at the right time, in the right way. This is achieved by setting the risk appetite and tolerance for the organisation that determines how to respond to the risk. The risk elements discussed in this chapter support the motivation for this study to explore how CSR tools can play a role and be integrated into a comprehensive risk management framework.

The chapter also discusses the risk management process steps, namely risk identification, risk assessment, risk control, and evaluation and monitoring. This discussion provides a strong basis for this study to consider the role of CSR in risk management. This is supported by a detailed discussion of ISO31001 and ERM and the Committee of Sponsoring Organizations of the Treadway Commission's three lines of defence model of risk management and governance. The chapter also discusses the factors that affect ERM, some of which also affect CSR. These factors could be optimised to achieve effective risk management. The chapter touches on the role of the board of directors in risk management. It notes that the board of directors is a key contributor to the selection and implementation of the governance approach, including whether CSR is adopted or not and which risk approach is used. As part of its governance role, the board receives different types of information on risk using different terminology to coordinate the management of the firm's overall exposure. The chapter highlighted that the board is the highest level of risk governance and thus is responsible for setting the risk appetite and tolerance of the organisation. Overall, the chapter explores risk management in relation to the extractives industry. The following chapter builds on the material presented in Chapters 1 to 3 and reviews risk management in the extractives sector and how this links to CSR.

## **Chapter 4 CSR and Risk Management in the Extractives Sector**

### **4.1 Introduction**

This chapter presents a discussion on CSR and risk management in the extractives sector by drawing on material from Chapters 1 to 3. Section 4.2 discusses CSR and the different types of risk categories. Section 4.3 discusses the possible conceptual frameworks for the interaction of CSR and risk. Section 4.4 concludes the chapter. This chapter builds on the material presented in Chapters 1 to 3 and connects risk management and CSR in the extractives sector. The connection is made in the context of Environmental Social and Governance (ESG), which is the term currently used interchangeably for CSR by extractive industry organisations in a strategic context, as noted in Section 2.2.2. This is because ESG issues have recently been shown to have high financial, opportunity, and personal costs to the extractives industry as they are among the largest risk concerns in the sector ( EY, 2021; Lokuwaduge & Heenetigala, 2017; PwC, 2021). Furthermore, according to PwC (2021, p. 2) “making environmental, social and governance (ESG) issues the core of organisational strategy gives big miners a compelling path to build trust, grow and produce sustained outcomes”. However, they have also noted that “Miners need to engage with their stakeholders and start to ‘bake’ ESG into the core of their strategies” (PwC 2021, p. 6).

### **4.2 ESG, Risk Management, and the Extractives Sector**

As discussed in Chapter 2, CSR is seen as a series of actions taken to improve a company’s image, or as a set of extended public relations activities that have not considered its interaction and influence on other managerial practices like risk management. Most studies have explored the relationship between CSR and risk management from a single discipline perspective, such as reputation (Melo & Garrido-Morgado, 2012); financial performance (Wang & Sarkis, 2017); access to credit (Cheng et al., 2014); or credit rating (Attig et al., 2013). Furthermore, ESG-related risks and the actual mechanism of interaction between risk management

and ESG have not been fully considered and articulated, possibly due to the relationship's evolving nature. Therefore, this limited understanding of the role of CSR has led to difficulties in demonstrating that CSR as ESG, can play a critical role in organisational risk management, particularly its influence on organisational strategy and performance in the extractives sector. For this study, the terms CSR and ESG will be used synonymously. The motivation for this study is to look at the holistic role – both vertically (all levels of the organisation) and horizontally (across the society, the environment, and the economy) – of CSR as ESG in risk management, as explained in Section 1.4.

As discussed in Chapter 2, the effectiveness of CSR is dependent on the theoretical framework underpinning the approach adopted and implemented. The four key theoretical frameworks underpinning CSR approaches namely, agency theory, stakeholder theory, legitimacy theory, and stewardship theory have different aspects that support CSR implementation. However, the main difference is the focus on shareholders as the only important stakeholder when considering agency theory, while stakeholder theory, legitimacy theory, and stewardship theory consider all stakeholders' concerns. This then translates into factors impacting the success of CSR and in this process, impacts upon risk management. For example, how the board of directors executes their roles, and the application of the internal monitoring mechanism is dependent on the theoretical framework (e.g., agency theory, stakeholder theory, legitimacy theory, and stewardship theory).

Many organisations are now considering implementing ESG to support their strategies, particularly around attaining and retaining SLO and stakeholder management (Koller et al., 2019; EY, 2021; PwC, 2021). Moreover, institutional and wholesale investors now consider ESG performance in their decisions to invest (Lock & Seele, 2015). This stronger internal (i.e., implementation of ESG to support strategies) and external (i.e., impressing institutional and wholesale investors who now consider ESG performance in their decision mix) value

proposition enhances strategic flexibility (Koller et al., 2019). This has led to ESG now becoming part of most organisations' strategies (EY, 2021; PwC, 2021). Table 4-1 developed by the researcher and based on the literature review outlines a propositional synthesis of the material from Chapters 1 to 3. It outlines the interaction between CSR (as ESG) and some of the risks present in the extractives sector. This table will be revisited and discussed later with the study's findings. This interaction between ESG and the different risk types (identified in Section 3.3) is discussed in the following sections. As noted previously, CSR and ESG are used interchangeably and mean the same for this discussion.

**Table 4.1: ESG and risk management in the extractives sector**

ESG	Risk type				
	Strategic	Operational	Reputational	Compliance	Financial
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Community<sup>1</sup></li> <li>• Climate change<sup>2</sup></li> <li>• Resource depletion<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Employee motivation<sup>4</sup></li> <li>• Innovation<sup>5</sup></li> <li>• GHG emissions<sup>3</sup></li> <li>• Energy efficiency<sup>3</sup></li> <li>• Water use<sup>2</sup></li> <li>• Unsustainable practices</li> <li>• Pollution</li> <li>• Biodiversity and heritage<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Improved reputation<sup>6</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Meeting regulatory compliance<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Cost of capital<sup>8</sup></li> </ul>
<b>Social</b>	<ul style="list-style-type: none"> <li>• Gain SLO<sup>9</sup></li> <li>• Disaster relief e.g., fire support or COVID-19<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Employee motivation<sup>4</sup></li> <li>• Workforce health and Safety<sup>11</sup></li> <li>• Diversity equal opportunity<sup>3</sup></li> <li>• Training and education</li> <li>• Local content risks</li> </ul>	<ul style="list-style-type: none"> <li>• Trust from customers<sup>18</sup></li> <li>• Social cohesion and community<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Child labour<sup>8</sup></li> <li>• Product safety<sup>12</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Cost of capital<sup>8</sup></li> <li>• Pay equality<sup>3</sup></li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Accountability<sup>13</sup></li> <li>• Shareholder rights<sup>14</sup></li> <li>• Stakeholder Management<sup>15</sup></li> <li>• Internal control<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Operational efficiency<sup>17</sup></li> <li>• Quality</li> <li>• Trust in supply chain<sup>18</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Transparency and disclosure<sup>19</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Internal control and regulatory reporting<sup>20</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Bribery and corruption</li> <li>• Shareholder rights<sup>12</sup></li> <li>• Tax<sup>3</sup></li> <li>• Capital expenditure and cashflow management</li> </ul>

<sup>1</sup> [Matten and Moon, 2008](#)

<sup>2</sup> [EY, 2008](#)

<sup>3</sup> [PwC, 2018](#)

<sup>4</sup> [Branco and Rodriguez, 2006](#)

<sup>5</sup> [Rexhepi et al, 2013](#)

<sup>6</sup> [Fragouli and Eruka, 2016](#)

<sup>7</sup> [Marchetti, 2012](#)

<sup>8</sup> [Fragouli and Jumbayev, 2015](#)

<sup>9</sup> [Owen and Kemp, 2013](#)

<sup>10</sup> [Crane and Matten, 2020](#)

<sup>11</sup> [McNeil et al, 2015](#)

<sup>12</sup> [Jonker and Witte, 2006](#)

<sup>13</sup> [Young and Marais, 2012](#)

<sup>14</sup> [EY, 2022](#)

<sup>15</sup> [Andeouba, 2016](#)

<sup>16</sup> [Suchman, 1995](#)

<sup>17</sup> [Gallego-Álvarez et al., 2011](#)

<sup>18</sup> [Attig et al., 2013](#)

<sup>19</sup> [Coombs and Holladay](#)

<sup>20</sup> [Arialiès & Mundy, 2013](#)

#### *4.2.1 ESG and Strategic Risk*

Strategic risks are the risks that affect or are a result of a business's strategic objectives and the processes the business executes to achieve them (Frigo & Anderson, 2011). CSR in the extractives industry supports organisations in managing strategic risks. Examples include upholding human rights (Keinert-Kisin, 2016); fostering good work relationships; attaining and maintaining SLO (Brueckner et al., 2014); environmental protection (Raufflet et al., 2014); honest market practices; relationships with clients; community engagement (EY, 2021); and social commitment (Young & Thyl, 2014). Therefore, there is potential for CSR in the extractives industry to influence strategic risk management by instilling organisational order in the column entitled Strategic, as shown in Table 4.1

As noted in Section 2.3.3, stakeholder engagement is one of the CSR approaches used by the extractives industry (and other industries) to manage strategic risk. A key component of strategic risk is engaging and responding to broader stakeholder concerns (i.e., stakeholder, legitimacy, and stewardship theories) and, therefore, a form of CSR. In one of the early papers advocating for the role of CSR in risk management, Kytle and Ruggie (2005) suggested that “companies with global operations can only address social risks by balancing those risks against business decisions and determining the quality of engagement with stakeholders and their associated issues” (p. 15).

This process of CSR in risk management involves employing effective stakeholder management and engagement tools to identify the empowered stakeholders and their key issues: “determining the highest level of engagement and information sharing necessary to address their concerns and reap the mutual benefits from improved accountability and better relations with stakeholders and utilise the knowledge embedded in global network” (Kytle & Ruggie, 2005, p. 15). As noted in Section 2.3 on CSR approaches, monitoring and control, and the role

of the board of directors are the key factors affected by the CSR approach when adopted and implemented by the organisation. These same factors affect the outcomes of CSR. This bi-directional relationship influences the outcomes of managing strategic risk as shown in Table 4.1 under the column Strategic.

A major component of extractives industry risk is stakeholder based; for example, community and SLO, environmental protection, and climate change (Brueckner et al., 2014; PwC, 2021). Therefore, it can be argued that CSR can support risk management through a well-defined strategy of dialogue with key stakeholders covering clear identification of the areas of interest, the definition of dialogue topics, and appropriate assessment of expectations (Diffey, 2007). It is also important to distinguish the stakeholders (and hence different management strategies) because they are not a homogeneous group; some stakeholders are risk bearers. These risk-bearing stakeholders may be voluntary stakeholders such as investors or forced stakeholders whose connection to the organisation is not by choice, for example, communities (Calvano, 2008; McDonald & Young, 2012). As such, they present different types of risks to organisations. Jonker and Witte, (2006) argued that CSR supports this process of stakeholder differentiation, thus identifying higher-risk stakeholders to develop appropriate engagement processes that are informing, responding, and involving.

This process is achieved through “directness of communication, clarity of stakeholder identity, deliberateness of collecting feedback, broadness of stakeholder inclusiveness, and utilisation of stakeholder engagement for learning” (Herremans et al., 2015, p. 407). Such aspects of strategic risk, by influencing stakeholders, can therefore be leveraged to the organisation’s success, or ignored to the organisation’s peril. This study seeks to investigate the role of ESG in risk management through integration into the existing company risk management processes, leading to minimised risk as well as acting as a positive signal for all stakeholders. Furthermore, it seeks to confirm that the role of CSR in risk management can be holistic. Some organisations have developed

ESG policies that have provided support for disaster relief (e.g., fire or COVID-19 support) to both communities and their workforce.

The connection between CSR and risk management must be seen through the lens of strategy, policy, and processes aimed at addressing potential ESG (Li & Wu, 2020). ESG is central to the extractives industry discussions. There is an expectation by stakeholders and society in general for the industry to manage ESG responsibly. As such, ESG poses a key risk to the extractives industry because poor performance within this area can result in negative outcomes for the business. Some scholars have argued that CSR supports effective management of ESG, which forms strategic risks such as improvements to energy efficiency, water efficiency, and emissions reduction across the sector, as well as improved safety for staff (Li & Wu, 2020). As noted by EY (2021), many organisations have made progress in managing Scope 1 (direct emissions from owned or controlled sources) and Scope 2 emissions (indirect emissions from the generation of purchased energy).

However, the organisations have made little progress in managing Scope 3 emissions (all other indirect emissions that occur in a company's value chain). ESG has the potential to drive Scope 3 emissions to provide genuine value and long-term sustainability by supporting the development of strategic policies, which are then implemented to manage the operational risk aspects of climate change e.g., decarbonisation of the supply chain. Therefore, ESG can minimise strategic risks and identify opportunities in the long term by helping extractives sector companies to raise capital (as noted in Section 4.2.5) and safeguard their assets from impairments. ESG also supports organisations to implement and manage their internal control mechanisms by establishing robust processes.

Recent disasters experienced by firms who have adopted and implemented CSR, such as BP, Rio Tinto, and BHP, as noted in Section 1.1, demonstrate the complexities and shortcomings of CSR when poorly implemented (Brueckner et

al., 2018; Crane et al., 2019). This is because the role of CSR in strategic risk management has not been explored holistically to provide an understanding of the benefits to the extractives sector (Ciocoiu & Mosoia, 2016; Young & Thyil, 2014). Furthermore, most of the current literature only examines the link between CSR and narrow aspects of risk management such as financial (Beurden & Gössling, 2008) and reputational risk (Janssen et al., 2015). Therefore, this study seeks to confirm that CSR can play a holistic role in risk management through integration into the existing company's risk management.

Most studies focus on the relationship between a broad definition of CSR and profitability (Godfrey et al., 2010). As such, the limited literature on the role of CSR in risk management motivates this study. Finally, as organisational CSR programs evolve towards social value, the CSR programs support innovation in dealing with issues such as ensuring social justice, eliminating poverty, and managing climate change (Ciocoiu & Mosoia, 2016). CSR as ESG can also contribute to risk management through the targeting of stakeholders using specific CSR activities that directly appeal to them.

#### *4.2.2 ESG and Operational Risk*

As noted in Section 2.3.2, societal norms and expectations are evolving and thus present an existential risk to the extractives industry, which must operate and interact with communities and society at large. In the extractives sector, CSR can play a role in operational risk because societal norms, beliefs, and expectations change and widen, meaning that organisations need to be at the forefront of understanding their key stakeholder requirements as they evolve (Andeobua, 2016). One of the goals of ESG in the extractives sector is to minimise any negative influence from its operations. This is also the intention of risk management systems such as ISO 31000. Therefore, ESG supports operational risk management by influencing the strategic policies of the organisation and providing a framework for implementing them. An example is where ESG enables an organisation to develop a strategy to manage climate change risks.

The climate change risks are then managed through a reduction in GHG emissions, energy use and water efficiency, waste minimisation, biodiversity management, water use management, and operations efficiencies. Other aspects supported include local content risks, diversity and inclusion, equal opportunity through fair recruitment, employment practices and the provision of training and education.

This minimisation of negative influence can be achieved by using key principles of the risk management process from standards such as ISO 26000 (Diffey, 2007). It can therefore be argued that CSR in the extractives industry drives operational risk management by instilling organisational order through effective management of operational risks, including stakeholders, using ISO management systems (Keinert-Kisin, 2016). The relationship between ESG and operational risk management is dependent on many aspects of the extractives sector, such as the company's style concerning organisational matters (Flammer & Luo, 2017). Previous researchers have pointed to ESG as playing an integral role in occupational health and safety risk management (Jain et al., 2011; Montero et al., 2009). Others such as Bauman and Skitka (2012) have argued that CSR heightens a sense of corporate belonging and hence morality, thus reinforcing the employee's sense of belonging to the company and sharing of the company's values, particularly in the extractives sector, which can be remotely located.

As the organisation provides job security and a safe working environment as part of its CSR activities, trust between the employer and employee is enhanced (Haski-Leventhal et al., 2017), thus mitigating operational risk. This results in employees voluntarily conducting themselves in a safe way rather than being forced to work safely. In their 2013 study on environmental health and safety (EHS) leadership, the Campbell Institute found a correlation between trust in leadership and voluntary safety behaviours, thus minimising and mitigating risk (The Campbell Institute, 2013). It can therefore be argued that CSR may play a

role in managing operational risk through the prevention of incidents and mitigating disasters in organisations because it instils responsible and safe behaviours in the workforce.

CSR, in the form of ESG, places an expectation on organisations to provide a safe working place and environment, thus supporting the management of personal and safety risks in the workplace. Providing a safe working environment and preventing incidents and accidents in the workplace is an area that is now strongly governed (Jain et al., 2011; McNeil et al., 2015). Moreover, it is now a basic expectation that firms need to provide a mechanism to promote occupational health and safety for their employees and other stakeholders. According to Jain et al., (2011), occupational health and safety incidents are closely linked to human factors. As such, the integration of human factors into improving workplace environments also positively contributes to CSR, thus minimising risks to people and the organisation and protecting human rights. However, this needs to be tested in the Australian extractives industry setting because the Jain et al., (2011) study was undertaken in European settings for mostly engineering and manufacturing firms.

CSR also has a positive role to play in managing operational risk in the supply chain (Attig et al., 2013). In the extractives industry, climate change risk and decarbonisation are driven in the supply chain through CSR. For example, operators are expected to report their GHG emissions under the three main emissions categories (i.e., Scope 1, Scope 2, and Scope 3) as developed by the GHG protocol standards. This has seen organisations push for a reduction in Scope 2 and Scope 3 emissions in their supply chain. Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although Scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organisation's GHG inventory because they are a result of the organisation's energy use. Scope 3 emissions are the result of activities from assets not owned or controlled by the reporting

organisation, but that the organisation indirectly impacts in its value chain. GHG management is supported by CSR processes and therefore CSR supports the management of GHG risk. In summary, there are different types of CSR influencing operational risk management but not all operational risks have been explored holistically.

#### *4.2.3 ESG and Reputational Risk*

In the extractives sector, CSR plays a role in managing reputational risk, more so because, as noted in Section 4.2.2, societal norms and beliefs evolve and therefore demand an agile and adaptive response, which is provided by CSR (Fragouli & Ekruka, 2016). ESG promotes transparency, and effective governance of reputational risk starts from the acknowledgement that reputation is related to perception (Coombs & Holladay, 2011). Therefore, a company's reputation is subject to the perception of its stakeholders (Cantrell et al., 2015). This is important in the extractives sector where SLO is a key requirement for successful business execution because a healthy positive reputation perception by stakeholders leads to an overall healthy positive reputation (Brueckner et al., 2014). Furthermore, transparency promotes self-reporting. An example of this is when Santos reported a company that it had purchased in November 2011, Eastern Star Gas, which had previously had a spill in the Pilliga (an inland forest in NSW) and failed to report it to the regulator, thus committing an offence (Validakis, 2014). This self-reporting prevents and mitigates the risk of prosecution or negative reporting by the media, tarnishing the organisational reputation.

The extractives sector is a complex industry involving large-scale harvesting of natural resources, which often function at the horizon of new technology and science. As such, firms operating in this sector have faced increasing scrutiny regarding their readiness to deal sufficiently with the risks posed by their business activities (Sethi et al., 2016). The poor responses to recent incidents have raised concern regarding the extractives industry's capability to prevent

these incidents and effectively deal with them when they occur (Boiral & Heras-Saizarbitoria, 2017; Sadgrove, 2016). As a result, some scholars have argued that companies have adopted CSR strategies to manage the reputation risks from their operations (Albuquerque et al., 2019).

Extractives industry practice illustrates that CSR has mainly been approached in terms of value protection and risk management, where the main objective was to protect the companies' existing assets or avoid scandals (Louche et al., 2017). Furthermore, it has also been noted that socially responsible firms are highly transparent and do not hide bad news; therefore, they enjoy reduced risk levels compared to those who cover up bad news (Krivkovich & Levy, 2013). It can be argued that there is a business case for the reputation risk management approach to CSR, where companies aim to stave off unwelcome attention from key stakeholders, such as governments or NGOs. As such, this business case for CSR in reputation risk management motivates this study.

The role of CSR in risk management has not been explored holistically to provide an understanding of the benefits to the extractives sector (Arjalies & Mundy, 2013; Ciocoiu & Mosoia, 2016; Frederiksen, 2018). It therefore provides fertile ground for this study – to explore the holistic role of CSR in risk management. Against this backdrop, most of the currently available literature examines the link between CSR and reputational risk management (Lu et al., 2020). Successful adoption and implementation of CSR provide benefits to both society and businesses (Porter & Kramer, 2011). Godfrey et al. (2009) studied the key attributes of the insurance-like protection of CSR activities and concluded that CSR activities are likely to create goodwill and offer insurance-like protection. However, a limitation of that study was that it only focused on one aspect of risk; therefore, the proposed study will delve deeper into this assertion and test it as part of the wider risk management body of knowledge.

Despite CSR having been shown to have an impact on a firm reputation, as demonstrated by the RepTrak reputation measure from the Reputation Institute (David, 2011), Coombs and Holladay (2015) argued that CSR is not always an asset in a crisis but can turn into a crisis risk if not managed well due to CSR's increasingly important role in reputation management. This is because stakeholders can challenge CSR claims by arguing that a firm is acting irresponsibly, thus eroding the firm's reputational assets by creating a challenge crisis (Coombs & Holladay, 2015). This study will seek to explore further the role of CSR in risk management by testing the assertion that CSR becomes a leverage point for stakeholders seeking to engage in a challenging crisis.

Kernaghan (2012) explored political risk insurance (PRI) contracts of extractives projects in developing countries to examine the impact of CSR policies and practices in the provision of PRI as part of reputation risk management. Evans and Macdonald (2012), concluded that investors could use PRI contracts as a proactive reputation risk management tool. This work was important because it provided insightful facts on the impact of CSR on PRI contracts and represented a new contribution to the body of knowledge on CSR and contracts, which currently focuses on CSR and the supply chain.

#### *4.2.4 ESG and Compliance Risk*

As discussed in Section 3.3.4, compliance risk is the threat posed to an organisation resulting from the violation of laws, regulations, codes of conduct, or organisational standards of practice (Marchetti, 2012). Compliance risk is important in the extractives sector because regulatory compliance is a non-negotiable key requirement for successful business execution; non-compliance can lead to hefty fines as well as affect reputation and SLO (Loosemore et al., 2018). ESG facilitates the implementation of internal control mechanisms to ensure compliance with regulatory requirements. It also promotes self-reporting as part of compliance risk management; for example, when Santos reported Eastern Star Gas, a company it had just purchased (Validakis, 2014). However,

as noted in Section 4.2.2, one of the goals of CSR is to minimise the negative influence, which can be achieved by using key principles of the risk management process from standards such as ISO 26000. Therefore, CSR in the extractives industry drives risk management by instilling discipline around regulatory compliance issues by organisations (Cai, 2016).

In a study into environmental risk management and cost of capital, Fragouli and Jumabayev (2015) concluded that there was an inverse correlation between improved environmental risk management and cost of capital and, by extension, compliance risk management. As such, ESG provides an incentive for organisations to ensure environmental compliance. This is supported by Curkovic and Sroufe (2011), who also established a positive correlation between CSR and improved environmental management. Link and Naveh (2006) argued that some managers employ CSR as a means of reducing firm compliance risk through improved transparency and strategies.

As noted in Section 4.2.3, firms with CSR engagement are more likely to disclose their CSR activities as part of their compliance requirements and beyond, consequently becoming more transparent and thus effectively managing their compliance risk (Du & Vieira, 2012; Fragouli and Jumabayev, 2015). As a result, higher levels of transparency lead to increased informational alignment between organisations and their regulatory compliance requirements. Other aspects of compliance risk that are supported by ESG include product safety compliance and compliance with child labour regulations. Therefore, ESG can play a role in the prevention of compliance risk incidents and mitigating disasters in organisations (Montero et al., 2009).

#### *4.2.5 ESG and Financial Risk*

As noted in Section 3.3.5, financial risk is defined as the potential loss due to changes in “financial markets, credit risk, foreign exchange rates, liquidity risks, and credit risk” (Jorion, 2002, p. 241). In the extractives sector, CSR plays a role

in financial risk in different ways; CSR in the form of ESG may lower an organisation's cost of debt and equity because most lenders now consider ESG performance as a lending requirement and for determining lending terms and conditions (Lock & Seele, 2015). Therefore, poor ESG performance can lead to higher costs of debt, equity, and tail risk (the chance of a loss occurring due to a rare event) and consequently poor financial risk management. Following this, it can be argued that reduced cost of capital is a possible result of reduced risk due to successful CSR adoption and implementation (Lalonde & Boiral, 2012).

Hsu and Chen (2015) examined whether socially responsible firms behave differently from other firms in terms of financial risk using US-based firms from 1991 to 2012. They concluded that socially responsible firms usually perform better in terms of their credit ratings and have both lower credit risk and low default risk. Their research was robust because they integrated controls for various measurements for CSR and time periods and considered various CSR dimensions as currently implemented by firms. In addition, they concluded that positive CSR ratings are associated with reduced financial risk, whereas negative CSR performance scores lead to increased financial distress, as supported by Anderson (2006). Although it can be deduced that this supports the assertion that investors respond to positive ESG ratings and thus reduce risk, further testing is required in a manner that integrates all variables as proposed in this study. Section 4.2.4 discusses the role of CSR to reduce firm risk through improved transparency and strategies. As a result, higher levels of transparency lead to increased informational alignment between organisations and investors, thus reducing financial risk and potentially improving shareholder value (EY, 2021; PwC, 2021).

Currently, most existing research has focused on the positive aspects of CSR; however, firms also undertake activities that may be defined as negative CSR (Louche et al., 2017). Negative CSR is actions and initiatives that lower societal welfare (Mishra & Modi, 2013). Mishra and Modi (2013) explored this

phenomenon of both positive and negative CSR to firm characteristic risk by using secondary data to study cross-sector US firms between 2000 and 2009. Aras and Crowther (2013) concluded that positive CSR reduces risk and increases profitability, whereas the opposite applies to negative CSR. However, Lambrechts and Blomquist (2016) argued that there is no guaranteed risk reduction from positive CSR. This study will test the assertion further in the Australian extractives industry, through the exploration of practitioner experiences and perspectives rather than using secondary data.

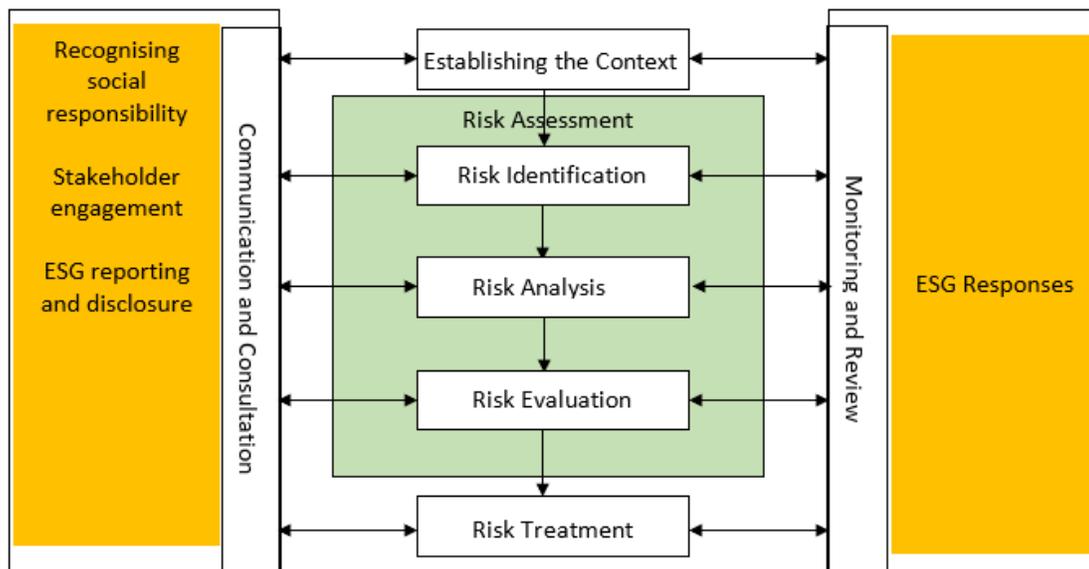
ESG supports the implementation of robust internal control mechanisms in the organisation. These may help in mitigating bribery and corruption within extractive companies. Furthermore, the established processes help in driving tax compliance, capital expenditure, and cash flow management to support and enhance the protection of shareholder rights. Finally, CSR can be seen to act as a surrogate mechanism to mitigate the risk of a share price crash in firms with weak corporate governance mechanisms (Kim et al., 2014). To conclude, there is evidence that CSR plays a positive role in managing certain aspects of financial risk and this study will test the holistic role of CSR in risk management.

### **4.3 Conceptual Framework for ESG and Risk Management**

Having demonstrated that there is some evidence of interaction between CSR (as ESG) and risk management in the extractives sector in Section 4.2, a key point to note is that all the key risk groups are closely intertwined. For example, strategy and reputation are connected in the sense that sustaining and maintaining a good reputation is impacted by the strategic decisions and direction of any organisation. Therefore, the two forms of interactivity illustrated in Table 4.1 – one between CSR and risk and the other between the different forms of CSR and different forms of risk – call for a holistic approach to CSR and risk management. A review of the available CSR and risk management literature points to the potential to integrate the two processes. As discussed in Section 3.5, the risk management system, for example, ISO 31000, has a common

approach to supporting the implementation of CSR standards without replacing or affecting their effectiveness. The proposed integration of CSR in the risk management process is partly driven by the evolving societal and stakeholder expectations, which push organisations to review their current practices (Frederiksen, 2018). Figure 4.1 illustrates the proposed integration of CSR and risk management.

**Figure 4.1: Proposed interaction between CSR and Risk Management.**



As noted in Section 2.3.2, societal norms and expectations are evolving and thus present an existential risk to the extractives industry, which operates and interacts with communities and society at large. In the extractives sector, CSR can play a role in operational risk because societal norms, beliefs, and expectations change and widen, which means organisations need to be at the forefront of understanding their key stakeholder requirements as they evolve. CSR allows organisations to take a broader view of their activities and the impact of these on their surroundings. It is because organisations are judged not only by their financial performance but also as part of the environment, society, and as a collective entity (Carroll & Shabana, 2010). As noted in Section 2.3.3, when an organisation's activities do not align with societal norms and expectations, it is harshly sanctioned, sometimes leading to the collapse of the organisation.

Therefore, this study is motivated by the desire to understand the connections between CSR and risk management and to explore whether CSR influences overall risk management. Both CSR (ISO 26000) and risk management (ISO 31000) frameworks follow the Deming cycle, also known as the Plan-Do-Check-Act (as illustrated in Figure 3-3). The similarity in the management framework structures between CSR (ISO 26000) and risk management (ISO 31000) provides a potential basis for the synergy and integration of the two systems. This study seeks to confirm that the role of CSR in risk management can be holistic if CSR, as ESG is integrated into existing company risk management processes. It could also lead to minimised risk as well as acting as a positive signal for all stakeholders. From the discussion above, it is proposed that CSR and risk management can influence each other in various ways.

As noted in Section 4.2.2, a key goal of CSR is to minimise negative influence. It is also the intention of risk management systems such as ISO 31000 (Diffey, 2007). Kytte and Ruggie (2005) developed a conceptual framework for companies to manage the emerging social risks they encounter as they become global. Discussing the contribution of CSR programs to managing those risks, their conceptual framework was limited to social risks only. This study looks at the conceptual framework from a holistic perspective, taking into consideration an enterprise-wide outlook. As such, this study will also look at the connection between CSR and risk management, which must be seen through the lens of policy, processes, and implementation aimed at addressing organisational risks (CSRWire, 2013).

#### **4.4 Conclusion**

This chapter builds on the material presented in Chapters 1 to 3 and connects risk management and CSR in the extractives sector. This connection is made in the context of Environment, Social, and Governance (ESG), the primary term currently used for CSR by organisations in a strategic context, as noted in Section 2.2.2. In this chapter, the different elements of risk presented in Chapter

3 were refined to identify these elements as they specifically relate to ESG in the extractives sector. The chapter connected the two types of events that can happen to firms, namely, negative events, which are known as risks, and positive events, which are known as opportunities for CSR. Furthermore, the chapter noted that ESG activities in the extractives sector are not only connected with reducing the likelihood of risk or its consequences but also offer opportunities.

Nevertheless, the chapter discussed doubts over the ability of CSR to deliver on its promise of delivering win-win outcomes, particularly in the communities in which they operate. It noted that some organisations use CSR to gain legitimacy without providing all-around benefits to all stakeholders. This is because in some circumstances CSR continues to be judged from a business perspective as opposed to a community perspective, those commonly at the receiving end of CSR. Furthermore, most studies have only looked at the relationship between CSR and risk management from a single discipline perspective, as noted in Section 4.2. This motivates this study: to investigate the holistic (vertical and horizontal) role of CSR in risk management.

The chapter discusses the different approaches to CSR, namely stakeholder theory, agency theory, legitimacy theory, and stewardship theory, and their interaction with risk. It connects these CSR approaches to the key risk categories, namely strategic, operational reputational compliance, or regulatory and financial risk. Furthermore, it examines how the different approaches to CSR have a direct bearing on the outcomes and effectiveness of CSR in managing risks. For example, stakeholder, legitimacy, and stewardship approaches have considered stakeholder interests, the interests of which sometimes materialise as risks to the organisations. As such this supports the proposition that these CSR approaches can play a role in the process of risk management for the organisation. However, the effectiveness of these approaches to risk management is determined by which approach has been adopted and implemented.

It briefly touches on the broadening sphere of risk management and that increases opportunities to interact with other managerial practices like CSR. The importance of risk management and risk management strategy is discussed. These strategic, operational, reputational, compliance, and financial risks provide ample opportunity for interaction with CSR as they cover different aspects of managerial practice. In doing so this chapter supports the motivation for this study to explore how CSR tools can play a role in managing the different aspects of risks as articulated in the five broad groups. The chapter discussed some of the risk management processes including risk identification, risk assessment, risk control, and evaluation and monitoring linking them to CSR in risk management. This link between CSR and the risk management process is important because it creates an opportunity for interaction with the theoretical approaches discussed in Chapter 2 which place stakeholders at the centre of the conversation. The chapter also noted that risk strategy can support the setting of governance structures that enable organisations to take the right risks, at the right time, in the right way. This is achieved by setting the risk appetite and tolerance for the organisation that determines how to respond to the risk. The risk elements discussed in this chapter support the motivation for this study to explore how CSR tools can play a role and be integrated into a comprehensive risk management framework.

Overall, the chapter explores the relationship between CSR and risk management in the extractives sector. The chapter builds on the material presented in Chapters 1 to 3 and reviews risk management in the extractives sector and how this links to CSR. In this chapter, the elements of risk presented in Chapter 3 were refined to identify these elements as they specifically relate to the extractives sector. In doing so, the chapter has provided a basis for understanding current CSR approaches and how they interact with risk management. Furthermore, the chapter noted that CSR activities in the extractives sector are not only connected with reducing the likelihood of risk or its consequences but also offer opportunities. However, most studies have only

looked at the relationship between CSR and risk management from a single discipline perspective, as noted in Section 4.2. This motivates this study: to investigate the holistic (vertical and horizontal) role of CSR in risk management, as explained in Section 1.4. The next chapter will present the methodology used in this study.

## **Chapter 5 Methodology**

### **5.1 Introduction**

This chapter discusses the research methodology underpinning this thesis, along with paradigmatic assumptions justifying the research approach, design, data collection, and analysis. Research methodology addresses the question: “How can a researcher generate knowledge about a social world and what are the methods that can be used to create such knowledge?” (Easterby-Smith et al., 2018, p. 21).

This chapter is structured as follows. Section 5.2 discusses the philosophical underpinnings of the study, as noted earlier, and how it fits with the research objectives. Section 5.3 outlines the research setting, and Section 5.4 covers the research approach and design. Section 5.5 and Section 5.6 explain and evaluate the quantitative and qualitative data collection methods employed in this research, including the selection of participants for both the survey and interviews and the rationale used in the selection process. Section 5.7 describes the process of data analysis, and Section 5.8 outlines the integration of the quantitative and qualitative findings. Section 5.9 discusses the challenges of mixed methods research. Section 5.10 discusses the ethical considerations for the study and Section 5.11 concludes the chapter.

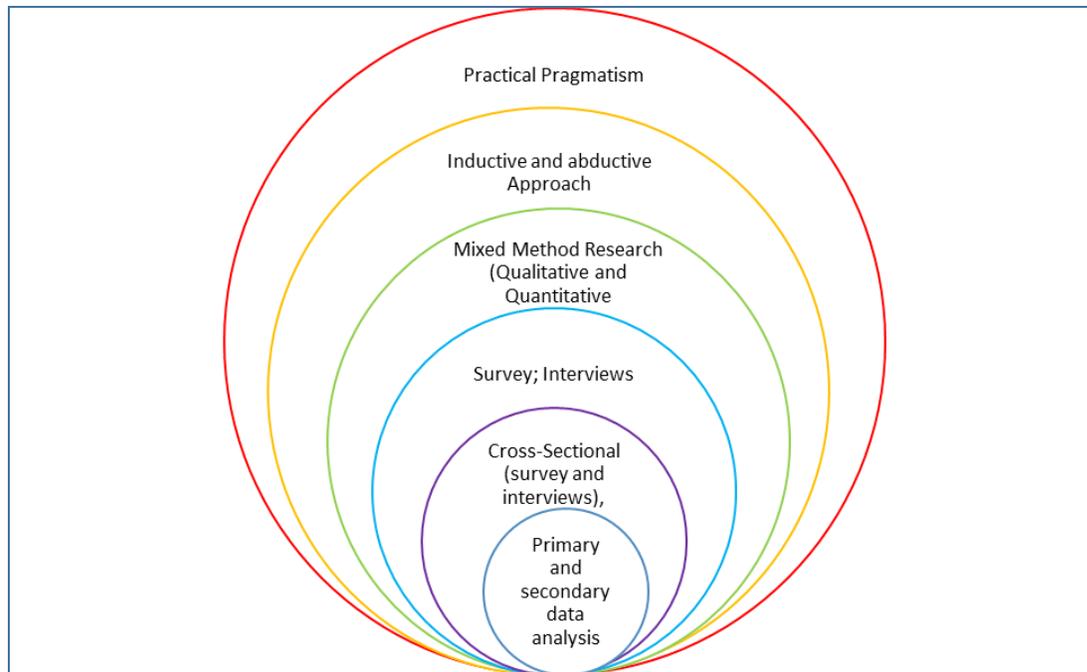
### **5.2 Methodology Philosophy**

#### *5.2.1 Epistemology and Ontology in Business Research*

In general, researchers have argued that a research question explores whether observable phenomena and subjective meanings can provide acceptable knowledge. Accordingly, research philosophy is occasionally called a paradigm because the scientific research paradigm helps to define scientific research philosophy (Silverman, 2013). As shall be explained in Section 5.2.2, this study used the pragmatism paradigm as it looked at practitioner experiences

(empiricism) of the role of CSR in risk management while using tangible examples from their organisations (rationalism) by focusing on practical applied research, (pragmatism), and integrating different perspectives to help triangulate the data (Easterby-Smith et al., 2018; Saunders et al., 2016). Figure 5-1 represents the research onion for this study.

**Figure 5.1: Onion Diagram Summarising Research Methodology**



Source: Adapted from Liamputtong, 2013

Research philosophy is guided by different frames of reference. Epistemology and ontology are two different but complementary ways of viewing research philosophy. Saunders et al., (2016) defined epistemology as the way we know things, whereas ontology is what you perceive to be real. So while the ontological question deals with the philosophy of perceived reality, the epistemological question focuses on how reality manifests itself in the sense of how that knowledge is acquired by the researcher as well as the evidence for that knowledge (Denzin & Lincoln, 2018; Guba & Lincoln, 1989). Consequently, epistemology reflects the researcher's assumptions on how to appropriately inquire into the nature of the world (Easterby-Smith et al., 2012).

Saunders et al., (2016, p. 127) defined ontology in business research as “assumptions about the nature of reality”, whereas Blaikie, (2019, p. 20) refers to it as “the nature of social reality,” “the science or study of being” that explores the nature of perceived reality. Ontology is a set of beliefs that reflect an individual’s interpretation of what constitutes a fact and thus shapes the way they see and study their research subjects (Denzin & Lincoln, 2018; Saunders et al., 2016). In other words, there is a connection between ontology and the research question regarding the role of CSR in risk management and if CSR’s role is to be perceived as objective or subjective.

Therefore, objectivism (or positivism) and subjectivism can be specified as two important aspects of ontology at opposite ends of the spectrum (Heron & Reason, 1997). Therefore, within the two ends of this spectrum, business research philosophy predominantly uses four different sources of knowledge, which can be broadly categorised as intuitive, authoritarian logical, and empirical (Slavin, 1992), as detailed in Table 5-1.

**Table 5.1: Methods of Acquiring Knowledge**

<i>Knowledge category</i>	<i>Description</i>
Intuitive	Based on intuition, faith, beliefs, etc. Human feelings play a greater role in intuitive knowledge compared to reliance on facts.
Authoritarian	Relies on information obtained from books, research papers, experts, supreme powers, etc.
Logical	Creation of new knowledge through the application of logical reasoning.
Empirical	Relies on objective facts that have been established and can be demonstrated.

Source: Slavin, 1992

Research processes may use only one or an integration of several categories of knowledge within a single study (Ivankova et al., 2006). For instance, a study can use intuitive knowledge in selecting a specific problem to be explored within an identified research area, whereas authoritative knowledge is acquired through a literature review (Leech & Onwuegbuzie, 2009). Logical knowledge is developed through analysing primary, secondary, and other data sources, and the

conclusions of the research are considered to be empirical knowledge (Bryman, 2012).

This study into the role of CSR in risk management uses four knowledge sources, namely, intuition, authoritarian, logical, and empirical knowledge, because CSR within an organisation is an iterative and continuous process (Young, 2013). Although epistemology has many branches, empiricism and rationalism are the two key topics within the field of epistemology that relate to business studies (Bryman & Bell, 2015). Empiricism considers personal experiences related to observation, where feelings, and senses are seen as a legitimate source of knowledge, whereas rationalism depends on empirical findings that have been obtained using legitimate and credible measures as a source of knowledge (Denzin & Lincoln, 2018). Empiricism and rationalism thus support each other by questioning the role of CSR in risk management and then driving the gathering of information to support or dispute the fact. Therefore, in this research, the experiences of the CSR and risk practitioners provide a legitimate source of knowledge.

### *5.2.2 Research Paradigms*

The intricate connections inherent in the various notions within qualitative data can be called a paradigm (Denscombe, 2008). A paradigm allows researchers to determine contextual factors to enable them to connect with the process (Corbin & Strauss, 2008). As such, the application of both qualitative and quantitative data gathering, a process known as mixed methods research (MMR), about the experiences of the CSR and risk practitioners, provides a basis for understanding the role of CSR in risk management. Pragmatism research philosophy places the research question at the centre of the research philosophy (Hesse-Biber, 2015). Therefore, pragmatism research philosophy agrees that concepts are only relevant when supporting action, as well as acknowledging the numerous ways of interpreting the world, and of completing research into the role of CSR in risk management, as suggested by Denzin and Lincoln (2018). Furthermore,

Easterby-Smith et al. (2018) acknowledged that no single point of view can ever give the entire picture and that there may be multiple realities.

CSR can be an inherently subjective concept relying on interpretations of how organisational activities are perceived and reported in terms of integrity, fairness, respect, and the environment (van Marrewijk, 2003). Consequently, this study adopts a pragmatism philosophical research paradigm to study a single industry/sector phenomenon (the extractives industry in Australia) with subsector analysis, namely, the mining, oil, and gas sectors. Pragmatists acknowledge that no single point of view can ever present the entire picture, hence they only accept concepts to be relevant if they support action (Hesse-Biber, 2015). Through the application of MMR, the combination of positivist and interpretivism positions within one research question can be achieved to legitimately explore the role of CSR in risk management (Johnson & Onwuegbuzie, 2004).

Furthermore, pragmatists believe that there may be multiple realities and many ways of interpreting the world and undertaking research (Halcomb & Hickman, 2015). Therefore, pragmatism research philosophy can support the integration of different research methods such as qualitative, quantitative, and MMR into one study (Cameron & Molina-Azorin, 2011). This research started with a quantitative phase followed by a qualitative phase; this is known as a sequential explanatory MMR design (Creswell, 2021).

The term axiology is used to refer to research studies that involve judgements regarding the value of considerations such as ethics, aesthetics, or religion, that is, good and bad, moral and immoral (Hartman & Weiss, 2011). In such studies, the researchers' values can impact their research and determine what they value in their research findings (Hartman & Weiss, 2011). Accordingly, axiology is therefore involved in the assessment of the impact of the researcher's value set on all stages of the research process (Creswell, 2021). Furthermore, axiology is concerned with the research aim and focuses on clarifying if the researcher is

attempting to explain or predict or is only seeking to understand the world (Heron & Reason, 1997; Ivankova et al., 2006; Yin, 2015). In this study, axiology on the role of CSR in risk management was concerned with finding out and understanding practitioner and industry perspectives regarding CSR and risk management in their organisations. The researcher, as a CSR and risk management practitioner, was aware of the impact of their role and the implications of their value set. These are discussed in Section 5.6.3. The proposed research paradigm for this research is illustrated in Table 5-2.

**Table 5.2: Research Paradigm Adopted in this Study**

	<i>Research Approach</i>	<i>Ontology</i>	<i>Axiology</i>	<i>Research strategy</i>
Pragmatism	Deductive/inductive	Objective/subjective	Value-free/biased	Qualitative and quantitative

Source: Denscombe, 2008; Leech & Onwuegbuzie, 2009

### 5.3 Research Setting

This thesis was based on an online survey followed by survey-informed semi-structured interviews conducted in Australia. Australia provides a fascinating research context for multiple reasons, as discussed in section 1.31. The research motivation and justification are summarised in Table 5-3.

**Table 5.3: Research Setting Justification**

<i>Reason</i>	<i>Rationale</i>
1	Extractives industry contributes 10.1% of the GDP
2	Limited research on the role of CSR in risk management in Australian extractives sector
3	Dynamic business environment provided by economic environment
4	Empirical conditions provided by downturn environment

### 5.4 Ethical Considerations

The researcher fully understood the ethical guidelines outlined in the Curtin University Ethics policies and procedures, particularly in relation to data collection and reporting. As such, before the research commenced, ethics

approval was sought from the Ethics Committee to ensure that the research was conducted in a manner that maintained integrity and protected both the research participants and Curtin University's reputation. Ethics approval constitutes a review process whereby the proposed research approach is checked against Australian research guidelines (the 2018 Code). These guidelines include a) the data provided is treated as confidential and kept in a secure location, both on a secure university server and in locked cabinets, for seven years as per Curtin University policy, and b) that participants had the right to withdraw from the study at any time without prejudice. An executive summary of the aggregated research results was offered to participants. Ethics approval was sought and granted under HREC 2019-0037.

All research data were de-identified to ensure the confidentiality and anonymity of both the organisation and participants. All data collection processes were designed to be as unobtrusive as possible to the participants and their employing organisations. Required permissions were sought early in the research. At the commencement of the research, all participants were informed of the aims of the research and signed the consent form that confirms voluntary participation (See Appendix 8 – Participant Information Form). Trust forms a key issue of the truthfulness of the responses and to support this, the researcher endeavoured to develop trust with the participants by being truthful and open with information about the research (Creswell 2014).

This research involved the collection of data from risk and CSR professionals operating in various locations in the extractives industry. The participants embodied different roles while the researcher was employed as an environmental professional in the resources sector at the time of collection. This presented several ethical issues that needed to be considered and addressed. The issues related to conflict of interest and bias, arising from the researcher's experience in the extractives industry. The steps taken to address this by the researcher are outlined in Section 5.6.2. As such, ethical boundaries were carefully established

and the research was designed and managed to satisfy the companies and individuals for whom the researcher, conducting this research on a part-time basis, was acting impartially. To avoid any potential ethical issues associated with power relationships within the researcher's organisation, formal data was not collected.

At the commencement of each interview, each participant was provided with a copy of the research information sheet (See Appendix 8 - Information Sheet). This document clearly stated the aims of the research, the participant's rights, and the contact details of the researcher and supervisors, as well as the ethics approval number issued by Curtin University. Each participant was also asked to sign an informed consent sheet that outlined the above information (See Appendix 7 - Informed Consent Form). On signing, one copy was retained by the participant and the other copy was retained by the researcher. To ensure the anonymity of all parties, immediately following the interview the audio recording file of each interview was copied onto a secure computer and assigned a code that uniquely identified each interview participant.

These codes, along with the names and contact details of each participant were recorded on a separate table that was securely stored, separate from the audio files. The audio files were then transcribed to produce textual versions of the interviews. Each transcript was de-identified to remove all names and any other identifying features. This included the names of the subject, their employer, any colleagues mentioned during interviews, and any other identifying feature that would threaten anonymity. Only once this de-identification was complete the transcripts were uploaded into the NVivo database for coding. Within the NVivo database, interview subjects were only referred to by their identifier with demographic data, for example, Participant D. During data analysis and reporting, the researcher maintained independence and objectivity by truthfully reporting the findings using anonymous data and unique identifiers (Bryman, 2012).

Furthermore, the researcher avoided asking leading questions, sharing personal experiences or sensitive information that may exert undue pressure or influence on the respondent to conform, as well as not offering incentives or rewards for participants either in cash or kind (Bergen & Labonté, 2019). Moreover, as a courtesy, the participants were assured that they would be informed of the results of the study if they expressed interest in receiving them.

## **5.5 Research Approach and Design**

### *5.5.1 Explanatory Mixed Methods Research*

MMR is important because it introduces robustness, and thus validity, into the process by enhancing the understanding of contradictions between quantitative results and qualitative findings (Hesse-Biber, 2015). However, in the past few decades, there has been an ongoing debate by researchers on the concepts, methods, and quality standards for research when using the MMR approach (Creswell & Plano Clark, 2011). As this study is explanatory, it adopted a combination of quantitative and qualitative research approaches in a sequential design, which is also known as sequential explanatory MMR (Hesse-Biber, 2015).

Mixed method research can use different questions for quantitative and qualitative data gathering or it can use the same questions. As suggested by Onwuegbuzie and Leech (2006), the researcher used MMR to answer a single question about the role of CSR in risk management in the extractives sector in Australia. The authors state that a mixed methods research question is defined as a single question that “embeds both a quantitative research question and a qualitative research question within the same question” (Onwuegbuzie & Leech, 2006, p. 483). For example, RQ 4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry? The question allows the interrogation and answering of both the

'what' aspect through the online survey and the 'how' aspect through the interviews.

Furthermore, Plano Clark and Badiee (2010) propose a "general overarching mixed-method question" in which the researcher "writes a broad question that is addressed with both quantitative and qualitative approaches" (p. 21). This approach was adopted by the researcher to use the same research questions for both the quantitative and qualitative phases of this study. It allowed the use of interviews to probe further the gaps that had been identified in the survey. For example, RQ 1: *What are the nature and characteristics of CSR in the extractives industry in Australia, and can the positive aspects of CSR be leveraged to enhance value to the business?* This question allowed the survey to identify the presence and variables around CSR. These aspects were probed by the interviews to gain a further understanding of aspects that the survey had not fully interrogated such as, what CSR approaches the companies have implemented or how CSR impacts risk management. Therefore, following the methodology proposed by Cameron (2009), the MMR design allowed for the research questions of the second phase (interviews) to emerge from the inferences of the first phase (survey) (Tashakkori & Teddlie, 2003).

The study used sequential explanatory MMR consisting of a quantitative survey (self-administered questionnaire), followed by a qualitative study in the form of interviews to enable complementarity (elaboration and enhancement). This was achieved through initiation (discovering paradoxes and contradictions); development (one method informing the other); and expansion (expanding breadth and range of study) to obtain richer insights into the role of CSR in risk management in the extractives sector in Australia (Miles et al., 2013). In this design, the quantitative data is collected and analysed first and the results are then used to inform the design of the qualitative phase, the results of which will then be used to explain or elaborate on the results obtained in the first phase (Cameron, 2009). The investigation was supported and aided by induction and

abduction. Induction means making an inference based on observation; for example, the sample of industry practitioners, while abduction means making a probable conclusion from what the researcher already knew (Saunders et al., 2016).

MMR was selected to ensure methodological rigour, as it includes measures for reliability and validity by enabling explanatory interpretation (Cameron, 2011). It also aligns with the practical pragmatism philosophical research paradigm applied in this thesis as it rejects the “either-or” approach (Saunders et al., 2016). Pragmatists reject forced choice between post-positivism and constructionism with regard to logic and epistemology and consider the research question to be more important than either the method or paradigm that underlies it (Halcomb & Hickman, 2015). Although taking longer than either the qualitative or quantitative methodologies on their own, the sequential explanatory MMR approach adopted in this thesis ensured the robustness of the findings in this study (Ivankova et al., 2006).

The impact of CSR on risk management is not a one-way relationship as risk management may also affect CSR. This bi-directionality of the relationship between the two research constructs is often referred to as endogeneity or simultaneity bias (Cai et al., 2016). According to Beurden and Gössling (2008) among other researchers, the answer to whether it is worthwhile for firms to engage in CSR and the holistic role it plays in risk management has not yet been fully determined. Furthermore, some extant empirical studies control for neither endogeneity nor causality. Consequently, these studies are typically silent about the causation direction despite noting some relationship between risk management and CSR (Albuquerque et al., 2019). As such, endogeneity is a major concern in studies of this nature. This is because CSR affects risk management and may determine a firm’s risk management approach and decisions (Jo & Na, 2012). For example, firms that invest in risk management for other reasons, which results in lower systematic risk, may also implement more

CSR activities. This issue of endogeneity was addressed using a comprehensive set of control variables by adopting MMR.

MMR's effectiveness stems from its ability to interrogate "sensitive" issues through both quantitative (survey) and qualitative (interviews) methods as covered in this thesis; these sensitive issues include individuals' values, beliefs, and business ethics, which have often not been captured by the individual research methods (Leech & Onwuegbuzie, 2009). The combined methods, through induction such as survey results and abduction techniques such as inferring the best explanation of the data, were deemed to provide better insights into the study of the complex area of the role of CSR in risk management than by using just one of either method (Cameron, 2011). As such, this was deemed to be the most appropriate research methodology for this inquiry into the role of CSR in risk management in the extractives sector in Australia (Fink, 2010).

As discussed above, despite the literature being "unanimous on mining companies' rising engagement with CSR since the 1980s" (Frederiksen, 2018, p. 496), the role of CSR in risk management remains an underexplored subject (Lu et al., 2020). Based on the limited literature on this topic and its intrinsic complexity, coupled with the intent to explore the holistic impact of CSR in risk management to provide practicable results, an explanatory approach to data gathering was adopted (Cameron & Molina-Azorin, 2011). This, in conjunction with the overall epistemological approach, resulted in the research focusing on comprehending the essence individuals present about social actions and processes to support the identification of underlying patterns of social action in underexplored areas (Heron & Reason, 1997).

For that reason, the research focused on how those involved in the development and implementation of CSR strategy understand and assign meaning as well as take into account their actions and the actions of others (Hesse-Biber, 2015). This provided a legitimate source of information to support the understanding of

how the actions are moderated by historical, cultural, and institutional contexts in relation to risk management (Johnson & Onwuegbuzie, 2004). Consequently, through this engagement and learning of the experiences and opinions of those who have been part of the social activities, the researcher can identify underlying trends and relationships in the development and implementation of CSR and risk management practices and their interaction, particularly CSR's role in risk management at a wider organisational level (Albuquerque et al., 2019; Ciocoiu & Mosoia, 2016).

### *5.5.2 Research Design*

This research was specifically designed to answer the following research questions on the role of CSR in risk management:

- RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?
- RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for the successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?
- RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?
- RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

Value is a multifaceted concept that is understood in diverse ways through distinctive concepts, constructs, and units of analysis (Measham et al., 2021). Values are about “what matters” and “what’s important” to different groups, or the characteristics of an object, or option that makes it welcome or undesirable to some perceiver (Higgins, 2007 p. 455). Cameron (2011) proposes a Competing Values Framework that lists different forms of ‘value’ and ‘values’ including

financial, tangible and intangible, measurable and non-measurable. This is echoed by Forget & Rossi (2021, p.177), who use a broad conception of “value” as “a socio-cultural construction that means something important to a person or a social group”.

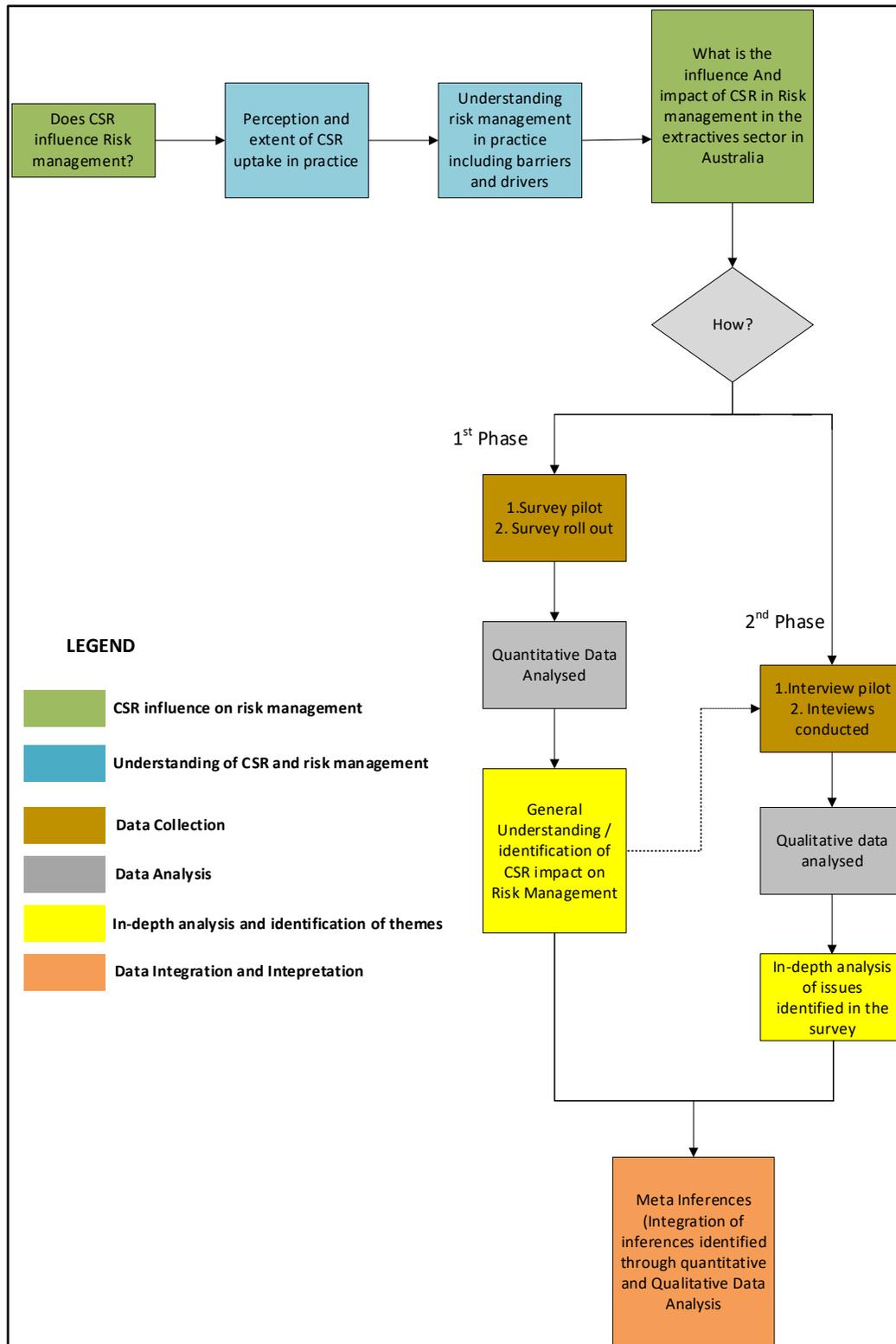
Therefore, value can be any complex configuration of economic, social, environmental, and governance characteristics that shapes what a stakeholder group will perceive as ‘allowable procedures’ for moving towards cultural objectives that are ‘worth striving for’ (Merton, in Higgins, 2007 p. 456). As such, the definition of value in this research relates not only to the financial or wider economic benefits from the industrial activity, but also to its environmental, social, and cultural impacts and the physical and socio-political context (Measham et al., 2021). In that sense, values are a complex configuration of economic, social, environmental, and governance characteristics that will be assessed differently by various stakeholders depending on their context, beliefs, interests, and experiences (Ang et al., 2015).

This research will capture value in the role that CSR plays in risk management as seen by the different stakeholders through the perception of the practitioners. To answer the value question, the research captured data on how CSR plays a role in managing the different groups of risks. It will investigate the motivations behind CSR adoption and implementation, its critical success factors, risk management approaches, and factors affecting their implementation. Throughout this process, the interface and role of CSR in risk management e.g., managing community risks, regulatory compliance risks, workforce attraction, etc. will be explored as value aspects.

The research started with an inductive approach, testing no single theory or hypothesis and allowing the data to lead to the theory (Corbin & Strauss, 2008). Furthermore, this approach allowed the researcher to explore the research objectives without any preconceived ideas as to what the data would look like or

the relationships that may be discovered (Saunders et al., 2018). Thus, it allowed a structured investigation of the role of CSR in risk management and provided the opportunity for a holistic investigation of potential issues and relationships as they exist in practice. Figure 5-2 illustrates the research design.

**Figure 5.2: Research Flowchart of the Basic Procedures in Implementing an Explanatory Mixed Methods Research Design Followed in this Study**



As shown in Figure 5-2, a mixed methods study linked the initial quantitative survey to the qualitative interviews to understand the role of CSR in risk management. For a more complete understanding of the above input and output procedures, the steps in the design are summarised below (Ivankova et al., 2006):

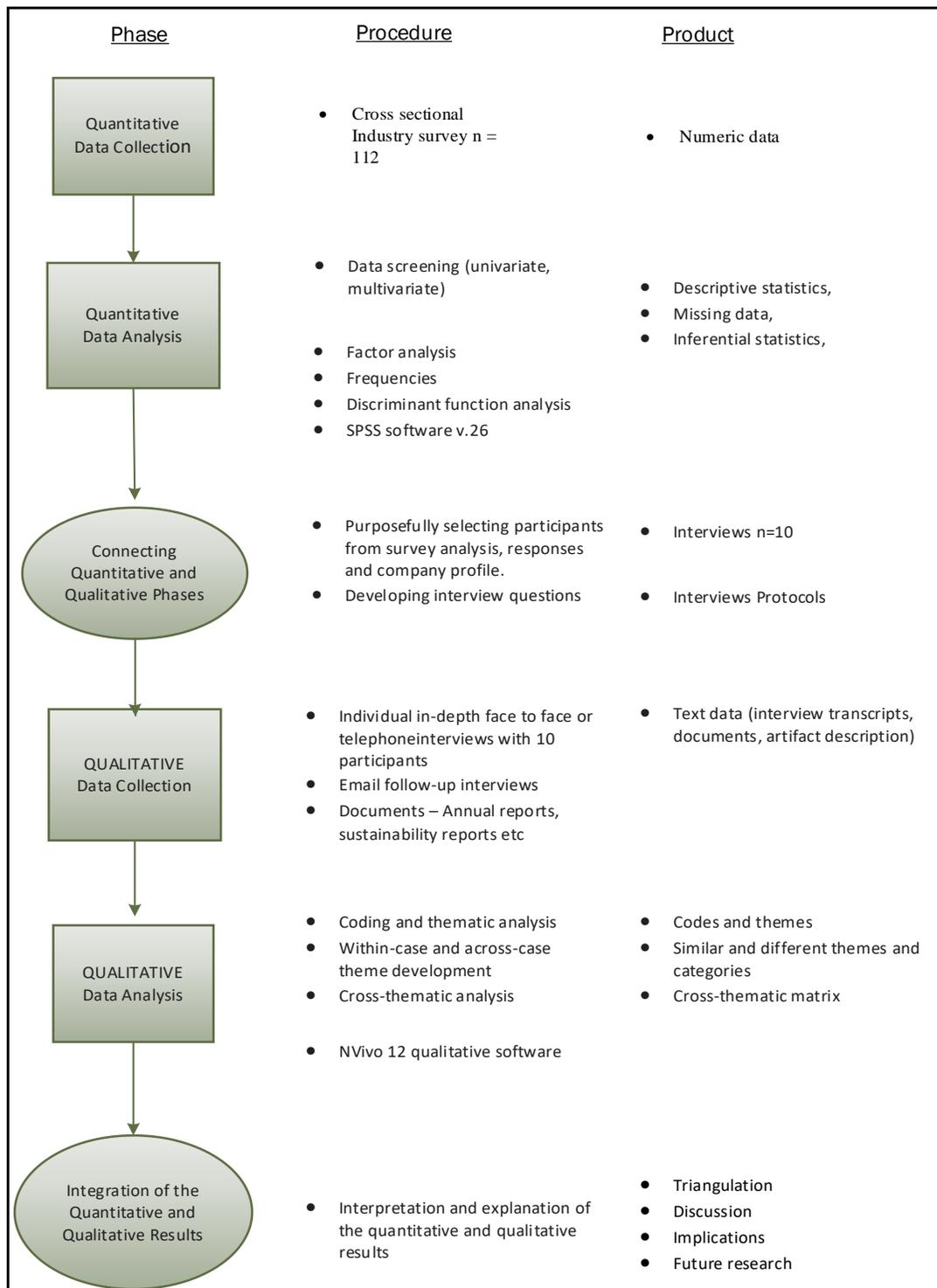
1. Literature review was conducted to identify the survey questions.
2. Pilot testing of survey questions using industry experts to determine the appropriateness of the survey questions and tools.
3. Primary data (quantitative) collected from the survey was used to develop an understanding of the relationship between CSR and risk management and inform the next steps.
4. Statistical analysis of quantitative data to inform qualitative data gathering stage with preliminary research findings; development of interview questions; and identifying interviewees.
5. Primary data (qualitative) collection pilot tested, followed by interviews to dig deeper into the relationships between CSR and risk management to enable triangulation with the quantitative data.
6. Content analysis and descriptive analysis were adopted for analysing the data to identify the relationship between CSR and risk management.
7. Integration of the findings from both the survey and interviews analysis and triangulation of the findings.

In this study, data collection included an online survey (Appendix 3) and semi-structured interviews (Appendix 5). The online quantitative survey (Likert-type scale self-administered questionnaire) of participants in the extractives sector was conducted first (Leech & Onwuegbuzie, 2009). Based on the findings of the survey, the key themes were identified, and interview questions were developed. Follow-up interviews were conducted with targeted primary respondents. The respondents were selected based on the need to probe further into the results of the survey responses and their willingness to participate in Phase 2 (interviews). The interviews aimed to gain information on CSR initiatives, decision-making

processes, implementation strategy, and the effectiveness of these programs in risk management (Bryman, 2012). The choice of interviews was based on the ability to provide rich empirical descriptions of the phenomenon being studied based on the results of the survey (Denzin & Lincoln, 2018). Using a purposive sampling approach, the selection of interview companies also included a balanced mix of operators and contractors/service providers as well as companies operating in the mining sector, the oil and gas sector, or both. Moreover, the survey and interviews were designed to enable an understanding of the impact of the varied company backgrounds and origins, namely, Western Australian, Australian, and international-centric.

The problem of access was addressed by using professional networks already in the subject companies such as LinkedIn connections as well as through professional and industry associations such as National Energy Resources Australia (NERA) and the Australian Petroleum Production & Exploration Association (APPEA). Furthermore, the researcher has operated in the extractives industry for over 20 years, which minimised the problem of access to the companies associated with competitiveness and data protection. However, this researcher's experience in the industry introduced the potential for bias, and the steps taken to address this potential for bias by the researcher are outlined in Section 5.6.2. Figure 5-3 shows a visual model of the sequential explanatory MMR design used in this research, including summarising the next three sections: survey, interviews, and sample size.

**Figure 5.3: Visual model for the Mixed Methods Sequential Explanatory Design Procedures**



Source: Adapted from Ivankova et al., 2006

### *5.5.3 Method Weighting*

According to Creswell and Plano Clark (2011), two weighting options can be applied in MMR, namely, equal and unequal weight. Equal weight refers to when the research problem is addressed using qualitative and quantitative methods equally, whereas unequal weight is when either the qualitative or quantitative method is used more than the other (Ivankova et al., 2006). The decision on which weighting option to use depends on three worldviews (Johnson et al., 2012). These are the positivistic worldview, which gives the quantitative method priority; the naturalistic worldview, which gives the qualitative method priority; and the pragmatic worldview, which uses both the qualitative and quantitative methods. As this research is oriented within a real-world practice, the researcher chose the pragmatic worldview to give equal weighting in addressing the study questions (Tashakkori & Teddlie, 2010).

### *5.5.4 Integration of Methods*

As noted earlier the “integration of quantitative and qualitative data can dramatically enhance the value of mixed methods research” (Fetters et al., 2013, p. 2135). Integration is that stage or stage during the research process when data from the quantitative and qualitative methods are mixed (Tashakkori & Teddlie, 2010). There are ways to integrate quantitative and qualitative methods at various stages of the research process such as the study design, methods, interpretation, and reporting levels (Fetters et al., 2013). These approaches were implemented at the design, methods, and interpretation stages and the reporting stages of the research by linking the research questions to the survey design (quantitative) using survey findings to inform the development of the interview (qualitative) questions, as shown in Figure 5-3. The integration stages are described below.

#### *5.5.4.1: Study Design Level Integration*

Integration at the design level or the conceptualisation of a study was achieved through the adoption of the explanatory sequential MMR design (Fetters et al.,

2013). As noted earlier, in explanatory sequential designs, the intent is to have one phase of the MMR study build on the other, by firstly collecting and analysing quantitative data, then by using the findings to inform qualitative data collection and analysis.

#### 5.5.4.2: *Integration at Methods Level*

According to Fetters et al. (2013) integration occurs by linking the methods of data collection and analysis. Linking occurs through connecting, building, merging, and embedding, as illustrated in Table 5-4.

**Table 5.4: Integration Approaches**

<b><i>Approach</i></b>	<b><i>Description</i></b>
Connecting	One database links to the other through sampling
Building	One database informs the data collection approach of the other
Merging	The two databases are brought together for analysis
Embedding	Data collection and analysis link at multiple points

Source: Fetters et al., 2013

In this research, the quantitative and qualitative phases were linked in the intermediate stage when the results of the data analysis in the first phase of the study informed the data collection and interview questions in the second phase (Hesse-Biber, 2015). As such, the quantitative data was used to help generate the qualitative sample, inform the interview questions, and explain the findings from the qualitative data, as explained in Section 5.6, while the qualitative data was used to assess the validity of quantitative findings, as shall be discussed later in Section 6.7. Method-level integration was achieved during the research design of the exploratory sequential MMR by connecting the quantitative and qualitative phases (Guetterman et al., 2015). The merging point was achieved when the quantitative data and qualitative data phases were used to bring the two databases together for analysis and comparison (Fetters et al., 2013).

#### 5.5.4.3: *Integration at the Interpretation and Reporting Level*

Integration at the interpretation and reporting level is achieved by way of narrative, data transformation, or joint displays (Fetters et al., 2013). The researcher integrates the interpretation and reporting level through the narrative by describing the quantitative and qualitative findings in reports to develop empirical support for or against implementing CSR and risk management systems. Integration through data transformation is achieved in two steps (Caracelli & Greene, 1993). The researcher creates a document for each participant within NVivo 12, which brings together data from the quantitative and qualitative phases of this study, enabling the researcher to access everything known about a particular participant, including the interview recordings (Creswell, 2021). Integration during the interpretation and reporting process allows the researcher to find answers to questions that could not have been fully answered if the statistical results and the qualitative findings had been interpreted separately (Cameron, 2011; Hesse-Biber, 2015).

#### 5.5.4.4: *The “Fit” of Data Integration*

The “fit” of data integration is the coherence of the quantitative and qualitative findings and has three possible outcomes: confirmation, expansion, and discordance (Fetters et al., 2013). In this study, *confirmation* occurred when both the quantitative and qualitative findings confirmed the results of the other (Caracelli & Greene, 1993; Fetters et al., 2013), and the similar conclusions from the two data sources provided greater validity. *Expansion* occurred when the findings from the two methods diverged from each other, thus expanding the insights into the role of CSR in risk management by addressing different aspects of either CSR or risk management or by describing their complementary aspects (Guetterman et al., 2015). For example, quantitative data highlighted the correlations between CSR and risk management, whereas qualitative data spoke to the nature of those associations; for example, community, reputation, or environmental management (Fetters et al., 2013) as well as relating to the literature. *Discordance* occurred when the qualitative and quantitative findings

were inconsistent or incongruous, contradicted, conflicted, or disagreed with each other (O'Cathain et al., 2010). Discordant data is addressed by gathering additional data until saturation (Glaser & Strauss, 1967), searching for explanations from theory, or challenging the validity of the constructs (Heron & Reason, 1997). At this juncture, the researcher discussed the rationale for the contradictory results, determined possible explanations from theory, and outlined further research opportunities.

## **5.6 Phase 1: Survey**

### *5.6.1 Survey Design*

Surveys are one of the preferred methods for obtaining primary data in any research effort as they usually support both deductive and inductive approaches (Saunders et al., 2016). However, the researcher needs to ensure that the research design they develop for the survey is valid, reliable, and unambiguous (Dillman, 2011). Surveys may be conducted online, on paper, by telephone, or face-to-face (Fink, 2010). Surveys were selected for this research because they have many advantages: they are an efficient means of collecting data on a large-scale basis; they can be sent simultaneously to a large number of people; respondents' anonymity enables them to share information more easily; acquired data are more similar, correct, and standard; closed-ended questions can easily be analysed; and they are cost-efficient (Wright, 2005). On the other hand, surveys also have some disadvantages: answers may be inaccurate or questionable due to a misunderstanding of the question; there is a low return rate when sent by post or email as opposed to the higher rate of return when sent online; ambiguity and lack of clarity of some questions might lead to inaccurate and unrelated responses; and the wording of the questions might affect the respondents' responses (Wright, 2005)

Surveys can be administrated in different ways, and every approach has its advantages and disadvantages. Fink (2010) suggested two methods of

administering surveys: a self-administered survey, which is usually physically mailed out to the respondents; and a group-administered survey, which is given to groups of individuals at the same time and place (Creswell, 2014). The main disadvantage of self-administered questionnaires is that respondents hardly ever return the survey (Oppenheim, 1992). Furthermore, it is hard to clear any misunderstandings that may arise or clarify any vague questions as the researcher is not available (Fink, 2015). Group-administered surveys are preferable to self-administered surveys because the return rate is high, the researcher is present to explain any ambiguous questions, and the researcher knows the conditions under which the questionnaires are filled out (Halcomb & Hickman, 2015). Despite its limitation, the researcher used the self-administered survey method for pragmatic reasons.

Generally, there are three types of survey questions that may be conducted online or face to face: closed-ended (or structured); open-ended (or unstructured); and a mixture of closed-ended and open-ended (Fink, 2015). Different types of questions have their strengths and weaknesses; for example, closed-ended surveys are more efficient because of their ease of analysis, whereas open-ended questions can lead to a greater level of discovery despite the difficulty of analysing them (Oppenheim, 1992). As such, the attempt to capitalise on the strength of both types of questions informed the adoption of sequential explanatory MMR in this study as qualitative interviews enabled a detailed follow-up of the survey results. To support the effectiveness of the survey, free text response options were made available to ensure that respondents had an option if their answer was not in the provided choices (Rohrer et al., 2017).

Blaxter et al. (2010, p. 201) suggested “seven basic question types: quantity or information, category, list or multiple choice, scale, ranking, complex grid or table, and open-ended,” and a survey may use one or several types of these question types. The survey in this thesis used closed-ended questions to provide

the inquirer with quantitative data, with occasional open-ended question options to allow for text information where the provided response options did not fit the recipient's intended response (Pasek & Krosnick, 2010). The different types of questions were structured to reduce survey fatigue through monotony and also to elicit interest and engagement from the respondents (Fink, 2015). This may have been attributed to the higher response rate (31%) in this survey than the average, which is around 10% (Fink, 2010). The reason for the higher response rate may have been because the questionnaire was sent over the internet using the online survey program Qualtrics, which meant it was easier for the respondents to complete and return the survey (Fink, 2010). However, another reason may also be that the survey respondents were interested in the topic (Dillman, 2011).

Robust data collection was driven through several ways to ensure that people could access and complete the survey in comfort by making the survey compatible with different multimedia tools such as mobile phones and tablets. Furthermore, establishing connections on LinkedIn before sending out the questionnaire created an introduction ahead of the survey invitation, which supported a higher rate of return (Bryman, 2012). As suggested by Creswell (2014), to prompt responses, it was highlighted to the respondents that their participation in the study was highly valued. Fink (2010) noted that there is no agreement regarding the effect on response rates of personalised covering letters. Nevertheless, covering emails and messages were specifically addressed and sent directly to the respondents to promote a sense of legitimate personal interest in their participation.

### *5.6.2 Survey Questions*

The survey questions were designed to answer the research questions by collecting information on firms' motivations for adopting CSR, risk management practices, and how the companies applied CSR and risk management standards (Blaxter et al., 2010). Furthermore, the survey questions also interrogated the

context in which this implementation took place and how the CSR and risk management practices interact. The survey capitalised on construct items used in previous studies to develop the questions – for example, CSR benefits, drivers, barriers, and risk management CSFs – but this was extended further by testing the relationship between CSR and risk management (Ivankova et al., 2006). Where the literature was silent, new items were developed with the help of supervisors, the wording of the survey was refined, and the overall validity of the questions was checked to ensure sufficient answering of the research questions to inform the development of the interview questions (Pasek & Krosnick, 2010).

As suggested by Bryman (2012), to encourage respondents to answer the whole survey, it began with easy to answer questions. Furthermore, shorter questions were used as they tend to achieve better response rates than longer ones (Fink, 2010). The survey consisted of 27 questions (Appendix 3), which included questions requesting demographic information about the firm, questions on rating scales, category questions, ranking questions, and an open-text response option. The open text option was provided on some questions to enable the online survey respondents to provide free text responses to questions such as the benefits of effective risk management (Rohrer et al., 2017). This allowed sufficient detail to be obtained to enable triangulation with the qualitative data from the interviews (Miles et al., 2013).

To increase the efficacy of the instrument and ensure its validity, the questions were made clear and easily understood by respondents by minimising reference to scientific and complex terms (Fink, 2010). This was achieved through a pilot survey, which strengthened the validity construct of the instrument. As suggested by the literature, the instrument was pilot tested with six respondents (Creswell, 2014) to test and refine the methodology and data collection process. The instrument was tested on people well known to the researcher and selected based on industry knowledge and academic standing to support the iterative process required to refine the data gathering process (Vogt, 2012).

As a result of the feedback from the pilot survey, the following amendments were made to the survey:

- The time required to complete the instrument (survey questionnaire) was reduced from 13 to 10 minutes.
- Abbreviations were spelled out in full to avoid ambiguity.
- Questions suggested by the respondents were included in the questionnaire.
- The instrument outlook and presentation were modified to ensure compatibility with mobile devices.
- The layout of the survey was modified, particularly the first page to clearly state that the research had ethics approval (Easterby-Smith et al., 2018).

This reinforced the efficacy of the survey instrument and set the stage for the success of the survey by identifying and addressing possible problems in data collection (Charles & Fen, 2007; Tashakkori & Teddlie, 2010).

Survey respondents tend to present themselves better or give a more positive response in surveys (Cai et al., 2016; Fink, 2010), a phenomenon called confirmation bias (Nickerson, 1998). For that reason, the questions were designed to minimise possible distortions and respondent bias by asking the same questions in different ways. This way, it would ensure Inter-Rater Reliability (IRR) by improving the accuracy of the answers and the validity of the information; for example, questions 21 and 24 (Appendix 3) (McDonald et al., 2019). Furthermore, personal questions were avoided to protect respondents' details as it was optional to provide contact details unless they wished to be contacted for the second phase of research, the interviews (Pasek & Krosnick, 2010).

This option for anonymity allowed the respondents to respond to questions free from anxiety regarding what could be interpreted as socially desirable or acceptable. Saunders et al., (2016) suggested that the order of the survey

questions is vital in that it determines how responses are formed. As such, the straightforward questions relevant to the role of CSR in risk management were located at the start, whereas the more complex questions were placed towards the middle of the instrument (Blaxter et al., 2010). The demographic questions, which were relatively easy to answer, were placed at the end, thus allowing a logical flow of the questions (Vogt, 2012). The wording of the questions included some terms that are widely used by the professional group to which the questionnaire was addressed (Oppenheim, 1992).

As stated earlier, the length of the questionnaire was determined in consultation with the relevant literature and piloting the questionnaire among professional colleagues and academic supervisors (Cameron, 2009). The acceptable average length for a questionnaire ranges between 10 and 14 minutes (Saunders et al., 2016). Therefore, for creating an effective and efficient instrument, a completion time of 10 minutes was used to ensure that the survey was completed.

### *5.6.3 Survey and Data Collection*

The sample consisted of the large, medium, and small companies engaged in the extractives sector and currently operating in Australia. The selection of a geographically limited sampling frame guaranteed a similar cultural and institutional context for the sampled companies, even though they originated from different continents (Fink, 2010). As such, all the samples were likely to face similar levels of scrutiny insofar as they conform to the same social and environmental demands and hence can be analysed alike (Fink, 2015)

The survey was sent out to extractives companies operating in Australia. Assuming a response rate of around 10%, which is common for large-scale mail survey research, an estimated total of 550 questionnaires were distributed. This had the advantage of low cost and speed of data collection (Blaxter et al., 2010; Fink, 2010). The sample size of 550, which included participants with varying levels of experience at firms of varying sizes, was deemed sufficient to balance

the data gathering and data quality requirements to minimise sampling and non-sampling errors to acceptable levels (Creswell, 2014). Moreover, this large sample size enabled meaningful subdivisions of the data during analysis to support generalisation of the research findings as well as extra- and intra-sector comparison (Bryman, 2012). Low response rates (typically below 10%) are vulnerable to sampling bias, also known as non-respondent bias (Miles & Huberman, 2002).

Non-respondent bias is when respondents differ from non-respondents, leading to a non-representative sample because the participants disproportionately possess certain traits. For example, if all the respondents are from MNCs or just one gender type, this impacts their understanding of the role of CSR in risk management. The response rate achieved was 31%, and considered free from non-respondent bias as it was above the 10% threshold considered to be adequate by most researchers (Denscombe, 2008).

The argument behind targeted sampling is that selecting subjects with comprehensive knowledge of the topics under investigation, ensures that the responses are of high-quality (Barratt et al., 2015). As such, survey sample selection was time-consuming and tedious due to the need to identify the potential respondents in the relevant organisations (Charles & Fen, 2007). This involved contacting professional bodies in the extractives sector, contacting companies to identify appropriate individuals, reviewing company websites, and internet and social media searches on professional bodies (Fink, 2015). These activities assisted in providing information on the contact details of the prospective survey participants.

To ensure that the online survey was completed only once, it was restricted so it could not be completed more than once by the same IP address. Moreover, questionnaires were addressed to the person responsible for the implementation of CSR and risk management, after identification through company websites,

company reports, or professional associations (Dillman, 2011). The questionnaires were accompanied by a cover letter that explained the research purpose (see Appendix 2) and that it followed ethical clearance procedures (Fink, 2010) to encourage participation. This approach was consistent with a purposeful sampling of those well-informed on the issues under consideration because of their role within the company (Fink, 2015; Palinkas et al., 2015).

## **5.7 Phase 2: Interviews**

### *5.7.1 Sample Interview and Data Collection*

Qualitative interviews are compatible with interpretive, explanatory research because they focus on gathering rich, in-depth data such as stories and accounts, and an individuals' understanding of their own experiences to understand a social phenomenon (Bergen & Labonté, 2019). To answer the "how" questions, the second phase of data collection involved semi-structured interviews, which are regarded as the most extensively used method in qualitative research (Bryman & Bell, 2015). The researcher used the semi-structured interview approach because of its flexibility and because it allows the interviewee to provide more information than the structured or unstructured approach (Bryman & Cassell, 2006). Moreover, unstructured approaches can provide unlimited information, but are very hard for analytical purposes (Ivankova et al., 2006).

By stating that we live in an "interview society," (Silverman, 2013) reinforced the significance of interviews to qualitative research. Interviewing is a subjective and narrative method that incorporates verbal communication, thus aiming to understand human feelings and social situations (Miles et al., 2013). Interviews are seen as vital because they endeavour to discern that which cannot be directly observed; for example, events that happened in the past, what meanings people associate with their experiences, and how they organise the world (Vogt, 2012).

Furthermore, they unravel the complexities of large-scale social change by interrogating how individuals experience, interpret and respond to such events (Silverman, 2013). Consequently, talking to individuals involved in the role of CSR in risk management facilitates a better understanding of the processes occurring at an organisational level and the meanings attributed to it at an individual level (Denzin & Lincoln, 2018). The interview structure followed the four topics used in the survey on how CSR interacts with risk management:

- Background information on the organisation and respondents.
- Perception and extent of CSR uptake in practice, including barriers and drivers to CSR uptake.
- Perception and extent of risk management in practice, including barriers and drivers.
- The role of CSR in risk management.

These four topics were used as a starting point to guide the discussion into areas related to the role of CSR in risk management. The topics were intentionally general to allow interview participants to say whatever came to mind about the role of CSR in risk management (Bryman & Bell, 2015). The interview findings were then used to enable methodological triangulation with the survey questionnaire responses by aligning the multiple perspectives, thus leading to a more comprehensive understanding of the role of CSR in risk management and giving more confidence in the research findings (Fink, 2010). The chosen methodology complemented the research objectives

According to Creswell and Plano Clark (2011), open-ended interview questions produce a higher cognitive load as they require deeper thinking by the respondent, potentially leading to higher-quality data. Moreover, they can produce richer insights as opposed to structured questions, although they require additional time to process and analyse (Fink, 2010). As such, open-ended questions were kept to a minimum and only used as sub-questions driven by critical responses (i.e., those that raised points or issues requiring further

probing) to the semi-structured questions. Furthermore, interviews can often be specified based on the amount of control the interviewer exercises over the conversation (Qu & Dumay, 2011).

The advantages of interviews are that they allow the interviewer to probe issues; provide in-depth information; facilitate good interpretative validity; facilitate fast turnaround for telephone interviews; give a relatively high measurement validity; and can lead to relatively high response rates (Bryman & Cassell, 2006). Nevertheless, interviews also have weaknesses. In this research the weaknesses were ameliorated as follows:

- In-person interviews are expensive and time-consuming – telephone interviews are conducted instead.
- Low perception of anonymity by respondents – assurance of strict adherence to ethical procedures and confidentiality.
- Data analysis can be time-consuming for open-ended items – self-transcribing and the use of NVivo 12 software allowed for early immersion into data while NVivo 12 software eased the data processing.

Interviews can be conducted in two main forms: person-to-person verbal interchange or face-to-face group interchange (Fontana & Frey, 2005). The researcher used person-to-person interviews to understand the how and what of the role of CSR in risk management through industry practitioners (Silverman, 2013). This was supported by a process of systematic debriefings entailing a “thorough, goal-oriented discussion of data immediately after it is collected” (McMahon & Winch, 2018, p. 1). These debriefings allowed the researcher to enhance their data collection skills; gain immediate insights into the content of data; correct the course amid unforeseen changes and challenges in the local context; strengthen the quality and trustworthiness of data in real-time; and share emerging data with stakeholders in a systematic way (McMahon & Winch, 2018).

To support the interview process, an interview guide approach was adopted, as suggested by Charles and Fen (2007). The interview guide had specific topics and questions, which could, however, be reworded in any sequence based on how the interview progressed (Vogt, 2012). As confirmed by participant feedback, this form of the interview was neither too rigid nor too open and allowed a large amount of data to be elicited from the interviewee. The interviews were active and sought to provoke and shape responses to the questions as a full participants in narrative production (Denzin, 2001). It is widely recognised that the interview context and questions impact the respondent and therefore their responses (Bryman & Cassell, 2006; Denzin & Lincoln, 2018; Hathaway et al., 2020). Consequently, the respondent and the interviewer together collaborate to understand the meanings associated with the role of CSR in risk management (Easterby-Smith et al., 2018)

Fontana and Frey (2005) believed that the interviewer should use ordinary everyday language during the interview process. In addition, Merriam and Tisdell (2016) provided criteria for creating good interview questions by cautioning against using multiple questions, leading questions, and yes–no questions. As such, the interview questions were developed to avoid multiple questions, which generally tend to confuse respondents; leading questions, which can introduce bias or researcher assumptions; and yes–no questions, which do not provide any useful or relevant information because of a lack of elucidation.

In any interview endeavour, the interviewer should explain the purpose of the interview to the respondents. As suggested by Liamputtong, (2013), the researcher attempted to create a good atmosphere during the interview and to allow the interviewees to freely express their views. Furthermore, the researcher adopted the following points during the interview process to support robustness (Bryman & Cassell, 2006; Corbin & Strauss, 2008):

- The interviewees must be made aware of the scope to express their opinions.

- The interviewer has an obligation to be non-judgemental and neutral.
- The interviewer needs to show respect and conduct themselves in a natural and non-threatening way.
- The interviewer should create rapport.
- The interviewer must not interrupt the interviewee.

Generally, there are three ways to record an interview: to tape record the interview; take notes during the interview by writing down the important points; and write down every detail of the interview immediately after the interview (Merriam & Tisdell, 2016). However, the first and second methods can be used concurrently and were therefore used by the researcher. The researcher did not use the third method because it is a difficult and inaccurate way of collecting information (Hesse-Biber, 2015). As such, the interviews were digitally recorded, and only key notes were taken during the interview. The notes were used by the researcher to pick up key points such as voice changes, body language, and changes in the interviewee's demeanour to aid in transcribing, analysis, and interpretation (Liamputtong, 2013).

How CSR interacts with risk management in an enterprise is a function of the beliefs and perceptions of those who are involved in the processes as well as the factors influencing their impact, attitudes, and behaviours. As such, despite being inductive, every researcher joins the field with a certain level of understanding of CSR and risk management rather than a blank slate, as suggested by Glaser and Strauss (1967). Consequently, participants were encouraged to share their perspectives based on their own knowledge and experience of the role of CSR in risk management (Denzin & Lincoln, 2018), and questioned in line with the discussion and related topics discussed in preceding interviews.

Interviewer bias was corrected in four ways. Firstly, the interviews were conducted by telephone, which minimised facial expressions and non-verbal behaviour by the interviewer that could convey approval or disapproval (Bergen & Labonté, 2019). Secondly, the researcher carefully worded the original and

follow-up questions by using open-ended questions to avoid suggesting the response to the interviewee (Hathaway et al., 2020). Thirdly, the researcher was careful when summarising to avoid introducing inferences about interview content and thus suggesting approval or disapproval. Finally, the timing of the questioning was closely monitored to avoid pursuing specific lines of inquiry more than was necessary (Qu & Dumay, 2011).

Drawing on the literature review, responses from the quantitative research (survey), and the research conceptual framework outlined in Section 5.4, an interview guide (outlined in Appendix 5) was developed, which outlined the questions to be covered. The interview questions were aligned with the four research questions and were piloted with three respondents. The results of the pilot were included in the interview to strengthen the validity of the results by identifying and correcting any mistakes that would negatively impact the overall data gathering process (James & Lee, 2011). The interview commenced with general questions on the definition of and familiarity with the CSR concept, and the nature and scope of CSR activities in the enterprise to put the participant at ease.

The interview then moved on to specific questions that addressed the factors that influence the conceptualisation and motivations of the uptake of CSR (Ciocoiu & Mosoia, 2016). Next, it touched on risk management, and then finally, it probed the impact of CSR on risk management practices in the company. This order was followed to allow the logical sequencing of the evidence. The guide was complemented by spontaneous follow-up questions in response to the points of view raised by the interviewees and on issues raised in the data analysis of the survey results (Denzin & Lincoln, 2018).

The interviewees were selected from those who had expressed interest in participating in a follow-up phase during the survey. They were contacted by email to find out if they were still interested in participating. This approach was

consistent with purposeful sampling of those well informed on the issues and considered because of their role within the company (Palinkas et al., 2015). The key informant method was justified because selecting subjects with in-depth knowledge of CSR and risk management ensured high quality responses (Prno, 2013).

Ethical procedures as outlined by Miles and Huberman (2002) were followed in line with Curtin University's ethical procedures (see Appendix 7 and 8 for participant consent and information forms). In line with the research plan, formal introductory emails outlining the research aims, objectives, and research questions were sent to those who were interested in participating in Phase 2. The covering email explained the use of the collected data, the confidentiality guarantees, and that any information they provided would not be publicly shared to avert negatively impacting their personal or company's reputations (Silverman, 2013). Finally, to promote the honesty of participant responses, they were assured of anonymity (Qu & Dumay, 2011).

The interviews were either face-to-face or by telephone depending on the availability of the participant. Some of the face-to-face interviews took place at the Curtin University Business School in dedicated meeting rooms to minimise disruption while maintaining confidentiality. Interviews lasted between one and two hours. The interviewees were encouraged to openly and freely discuss the research topic and related subjects by probing their understanding of CSR and risk management issues (Denzin, 2001). This approach allowed for reflection and interpretation during the interview, which is essential in the context of tacit perceptions and complex interactions (Qu & Dumay, 2011).

The interviews were conducted between October and November 2019. Ten interviews were conducted and distributed between mining and oil and gas organisations and service provider organisations. The interviews were conducted in English. All interviews were recorded and transcribed by the researcher after

receiving approval from the interviewee (Fontana & Frey, 2005). In anticipation of any problems with data recording equipment, a spare recorder was carried. The recordings provided the researcher with detailed records that could not be sufficiently provided solely by field notes. Moreover, the development of transcripts is deemed a research activity (Silverman, 2013).

The procedure of providing questions early strengthened the validity and reliability as it gave the interviewees sufficient time to consider the information requested and to gather any relevant supporting organisational documents that they deemed useful (Fontana & Frey, 2005;). This was evidenced by at least two interviewees providing typed responses to the questions; attaching company information and links or browsing through already opened company web pages containing relevant information to support their responses during interviews. However, the order of questions varied depending on the flow of the conversation as it allowed the interviewee to share their experiences and thoughts uninterrupted (Vogt, 2012).

### *5.7.2 Researcher's Role*

As the data gathered in the interviews is a collaboration of findings around the role of CSR in risk management in the extractives sector, and that reflexivity is a critical element in good research, it is vital to be reflexive in the interview process and understand the significant factors that impacted the process (Bryman & Cassell, 2006; Jonker & Witte, 2006). This was achieved by capturing the researcher's impressions and descriptions immediately after each interview, and the researcher's ongoing reflections during and after all interviews (Miles et al., 2020; Qu & Dumay, 2011).

The following issues need to be factored in as they could have significantly influenced the interview process. Nervousness could result in participants describing rather basic things about their programs instead of going into technical details of their CSR and risk management approaches (Bryman & Cassell, 2006).

The researcher allowed for this and used the beginning of the interview as an ice breaker as well as to enable the interviewee to settle down and become comfortable (Fontana & Frey, 2005). Time constraints also sometimes resulted in some respondents rushing through the early part of the interview and the researcher settled them but explained that there was sufficient time for the interview (Qu & Dumay, 2011).

The tape recording of the interviews also made some participants concerned about being frank in the interviews at the beginning (Collins et al., 2005). This was more often the case in face-to-face interviews than it was with telephone interviews. The researcher reassured the interviewees of the confidentiality of the process. Experience with the research process and with interviews also played a part in the nervousness and concern, with those who had experienced the process previously, confirming that they were used to the process and showing less worry than those who were first-time research participants (Denzin & Lincoln, 2018).

The researcher has been a professional in risk management and CSR subject matter and has worked across a variety of organisations and industries. This included working for not-for-profits, environmental regulators, contractors, and industry across construction, oil and gas, manufacturing, rail, and mining sectors throughout Africa, Australia, Europe, and the US. As such, this meant that the researcher was in some form a participant in the interview due to their industry knowledge. This had advantages and disadvantages. The main advantage was that the researcher's knowledge supported a clear understanding of the research subject and enabled the interviewer to build rapport with the interviewees. A disadvantage was the potential for bias by the researcher. Any perceived bias was managed by having a clear interview guide that was sent out to the interviewees ahead of time to help them prepare (Bryman & Bell, 2015). The researcher was always conscious of how their attitude could introduce bias to the

interview as well as probing responses to solicit more detail (Miles & Huberman, 2002).

## **5.8 Data Processing and Analysis**

### *5.8.1 Survey Data Processing*

The data was processed in two stages, namely, a quality check/conversion of the data followed by generating metadata. The data was quality-checked to ensure that it was fit for its intended use and decision-making (Miles and Huberman, 2013). Survey data was downloaded from Qualtrics and converted to Statistical Package for the Social Sciences (SPSS) compatible format. This was then cleaned up and processed for analysis in SPSS 26. Furthermore, the data was anonymised to protect the identities of the respondents. The issues checked for included completeness, accuracy, representativeness, currency, and relevance to the research topic (Creswell, 2014).

The cleaning-up process involved consistency checks to identify the data that was out of range, logically inconsistent, or with extreme values (Coakes, 2011). The missing responses were treated carefully to minimise their adverse effects by assigning a suitable value (neutral or imputed) or discarding them methodically, that is, case-wise or pairwise deletion (Cameron, 2011). Missing responses pose a problem if their proportion to the total is significant (more than 5%). As such, all responses that were below 95% completion were excluded from the analysis.

### *5.8.2 Qualitative Data Processing*

The qualitative data was mostly digital (recordings and documentary reports) and was saved in NVivo, a computer-assisted qualitative data analysis software (CAQDAS) format (Welsh, 2002). Qualitative data analysis was supported through early careful repeated listening by the researcher immediately after the interview to enhance transcribing the interviews (Bryman & Cassell, 2006). This was also aided by the self-transcribing of the electronic recordings by the

researcher as well as determining emerging categories, themes, and patterns (Denzin & Lincoln, 2018).

### *5.8.3 Data Analysis Approaches*

The analysis of the qualitative data was both *deductive* and *inductive* to reaffirm the iterative aspect of qualitative research (Merriam & Tisdell, 2016; Silverman, 2013). The inductive analysis commences by observing the real world and concludes with the discovery of patterns, themes, and categories (Saunders et al., 2018). Such a process considers the essence and significance of the occurrences, the environment, and the process through which the actions and occurrences happen. The deductive analysis depends on existing concepts and information that unambiguously outline the research questions (Saunders et al., 2016).

The deductive aspect of this research was informed by Bryman (2012) who suggested that a properly developed research framework can act as a conception to the plan of the study as it allows for testing of existing categories, concepts, models, theories, or hypotheses. Furthermore, Silverman (2013) encouraged the researcher to understand that the analytic phase is informed by the theoretical aspects, resulting in research outcomes that are reflective of the social phenomenon. For this reason, the research framework was prepared ahead of the fieldwork and consequently guided the data collection and analysis stages.

### *5.8.4 Quantitative Data Analysis: Survey*

Firstly, a nominal scale was used to label the survey questionnaire responses, which was followed by data analysis through descriptive statistics methods in the statistical package SPSS 26. As suggested by Saunders (2016), Pearson's Correlation (2-tailed) was employed to test correlations between variables. The correlations were considered significant when the p-value was less than or equal to 0.05 (Saunders, 2016). Responses to survey questions followed the five-point

rating or Likert-type scale format and were analysed as five categories – strongly agree, agree, not sure, disagree, and strongly disagree – to sufficiently answer the four research questions (James & Lee, 2011).

#### *5.8.5 Qualitative Data Analysis: Interviews*

The qualitative data analysis followed the tested methods used in MMR (Cameron, 2009; Hesse-Biber, 2015). Upon collection, the qualitative data was converted into metadata, which involved the linking of the interview responses to the interviewee's biographical information to allow identification of the transcripts (Yin, 2015). As suggested by Miles et al. (2020), interviewer tags, the topic guide, and interview questions were linked to the data to enable locating interview transcripts or certain specific responses or topics in the data.

The interview data were coded, analysed, and managed using the computer-assisted software NVivo 12 to identify similar codes using a hybrid of both a priori and emergent codes. Liamputtong (2013) described content analysis as a procedure for the categorisation of verbal data for classification, summarisation, and tabulation. As such, the data was content analysed at two levels: the basic/manifest level, which constitutes a simple description of the data; and the higher/latent level, which was more interpretive, focusing on the inferred/implied meaning (Saunders et al., 2016; Yin, 2015). The content analysed data was then thematically analysed to identify underlying trends and themes (Miles & Huberman, 2013).

According to Miles and Huberman (2002), the best way to avoid data overload during qualitative research is to start the coding process by creating an initial list of codes from the research conceptual framework ahead of the fieldwork. As such, the initial codes, also known as “a priori” codes, were deductively derived ahead of the fieldwork based on the CSR and risk management theory and extant literature embedded in the research framework (Miles & Huberman, 2002).

For this reason, the list included codes such as perception, motivations (to reflect the cognitive dimension of CSR), drivers, barriers, benefits, social value, risk management, environmental management, and community (Corbin & Strauss, 2008). As risk management and CSR are evolving subjects, trust is important in helping members of the community assess and validate evolving knowledge (Sethi et al., 2016; Silverman, 2011). This validation helps illuminate the research questions by scrutinising knowledge claims from other researchers, practitioners or policymakers, and by drawing on the community's resources to enable members to decide on the quality or level of knowledge (Blaikie, 2019; Bryman, 2012).

The a priori codes were tentative and therefore could be refined further against empirical characteristics and events (Cameron, 2009). This was followed by a systematic analysis of the data to tease out themes, patterns, and subcategories inductively (Easterby-Smith et al., 2012). It has been argued that such systematic procedures followed in inductive analysis produce valid and reliable findings (Bryman & Bell, 2015). Furthermore, this inductive approach enabled intuition to steer the researcher's understanding (emergent codes) of the data (Easterby-Smith et al., 2012). This list of emergent codes grew as the data collection progressed until no new information or themes were observed in the data to aid saturation (Glaser & Strauss, 1967).

Reliable data relating to organisational life is predominantly qualitative and situational (context matters), and is collected opportunistically as well as planned (Eden & Ackermann, 2018). Saturation was achieved by continual triangulation of the data, both within and across interventions, and undertaken when seeking convergent and contextual validity while at the same time identifying discriminant validity (Reason & Rowan, 1981). Contextual validity was addressed through a pilot survey by subject matter experts who confirmed that the survey covered enough information to understand the role of CSR in risk management.

The adoption of qualitative analysis was not intended to break the interview into meaningless bits and pieces, but rather to examine the research questions from the participants' perspectives to discern underlying themes to support the researcher's interpretations and tease out the implications of the research questions (Charles & Fen, 2007). To achieve that, the researcher focused not so much on coding as on "living the data" from each participant's point of view. With this in mind, the researcher (the interviewer) always took time after each interview to record the key content and reflections; followed by complete immersion in each interview (audio recording) to understand the participant's nuanced and intended meaning (Cameron, 2011). In summary, the data analysis and coding process of the qualitative data were completed in the seven iterative steps listed below.

Step 1: Familiarisation: The researcher listened to the recordings, transcribed them into Microsoft Word documents, and read the transcripts multiple times. This allowed them to identify what the data suggested (Easterby-Smith et al., 2018).

Step 2: Reflection/sense-making: The researcher made sense of the data by comparing it to previous research into the role of CSR in risk management. This was achieved by evaluating whether the data supported or challenged existing knowledge (Bryman & Cassell, 2006) by filling knowledge gaps, providing answers to previous questions, and how it contrasted with other studies (Qu & Dumay, 2011).

Step 3: Conceptualisation and coding: This involved the transfer of the transcripts to a database to commence the coding process using NVivo 12 (Easterby-Smith et al., 2018). The codes were developed a priori, that is, based on the research question, interview guide, and theoretical framework, and emergent, that is, tracks or themes emerging from the data (Bryman & Cassell, 2006). The alignment of the codes developed inductively from the data was perceived to

improve the validity and reliability of the data analysis (Corbin & Strauss, 2008). This is because such closeness of the coded data to the raw interview data resulted in different people being able to code the data in the same way, a process known as inter-rater reliability (McDonald et al., 2019).

Step 4: Cataloguing concepts: The coding stage used the four original themes identified in the research questions to develop a set of core themes from codes that had been developed in Step 3 (Miles et al., 2020).

Step 5: Re-coding: The researcher continuously re-examined the data to contrast it with previous codes to guarantee the consistency of the coding rules across all interview transcripts (Easterby-Smith et al., 2018).

Step 6: Linking of data and development of theories: The researcher identified the themes, trends, and associations emerging from the data for links between CSR and risk management (Bryman, 2012). The researcher interpreted the questionnaire and interview data to establish if there was any convergence of the outcomes from both data sets (Denzin & Lincoln, 2018).

Step 7: Interpretation: The researcher started to develop a conceptual framework through integration and triangulation of the data to probe what could be deduced (O'Cathain et al., 2010). This stage inductively used the analytical and conceptual frameworks supported by the researcher's doctoral training and research experience to produce the explanatory analytical framework, as presented in Figure 5-3. The researcher continued with the interpretation of the data to establish if there was any convergence of the outcomes from both data sets and also to look for disconfirming evidence (Denzin & Lincoln, 2018).

The key focus of these seven steps was to identify the critical role that CSR plays in risk management and the factors and barriers that drive the successful implementation of CSR in the extractives sector in Australia. Furthermore, an

investigation of the perceptions regarding the impact of CSR on risk management and how both could be integrated was undertaken to gain further understanding. The next section describes this integration process of the quantitative and qualitative data.

## **5.9 Research Challenges**

Although the MMR method was used in this study, it also presented several challenges that needed to be recognised and ameliorated where possible. Firstly, an MMR approach is both time-consuming and resource intensive (Ivankova & Plano Clark, 2018) as it often requires extensive data collection and thus a challenge in relation to time expenditure. Secondly, the analysis of both quantitative and qualitative data was more time intensive than the analysis of just one type of data on its own (Cameron, 2009). Thirdly, choosing an MMR approach required the researcher to be familiar with both quantitative and qualitative research approaches (Cameron, 2011). The next subsections discuss the challenges of MMR and how they were ameliorated in this study.

### *5.9.1 Trustworthiness of Mixed Methods Research*

Establishing the trustworthiness of the research is essential in social studies (Connelly, 2016; Kirk & Miller, 1986). Debate on the usefulness of the concepts of different forms of validity and reliability in qualitative research has been ongoing for many years (Barratt et al., 2015). As such, the methods used in this study were designed to ensure that they will withstand the validity and reliability test. Lincoln and Guba (1985) proposed the following criteria to establish the trustworthiness of qualitative research: credibility, replicability, transferability, dependability, and confirmability. Table 5-5 illustrates how these criteria were applied in this research.

**Table 5.5: Trustworthiness in Research Methods**

<i>Trustworthiness techniques</i>	<i>Application to the current research</i>
1. Credibility	Conducting interviews from sampled companies.
2. Checking for representativeness	Quantitative questionnaire, semi-structured interviews and documentary evidence.
3. Weighting the evidence	Data verified and tested by research participants.
4. Investigating rival explanations	Dissemination of the research through academic discussion and conferences.
5. Making comparisons and contrasts	Book chapters and journal publications.
6. Finding negative or extreme cases	Quantitative data analysis using SPSS26
7. Replicating the findings	See Chapter 8, integration, and synthesis of findings from quantitative and qualitative methods
8. Triangulation of findings	See Chapters 2, 3, and 4 for an overview of the context of CSR and risk management, and Chapter 6 for discussion and interpretation of the analysis highlighting the particularities of the context.
9. Transferability	Systematic inductive data analysis; interview recordings files; NVivo 12 software for data retention, retrieval, and future checks; supervision discussion, updates, and feedback to ensure a rigorous research process (particularly data collection and analysis).
10. Confirmability and dependability	

Source: Lincoln & Guba, 1985

Different tools and approaches were used during the fieldwork to ensure the credibility of the data and subsequent findings. As suggested by Miles et al. (2020), checking for representativeness, weighing the evidence, investigating rival explanations, making comparisons and contrasts, and replicating the findings were among the tactics followed in this research to fulfil these criteria. Piloting of the survey and comparing interview results allowed for refinement of the techniques and following up on identified gaps in the data gathering process as well as the early identification of emerging key themes and facilitating the identification of extreme cases (Miles et al., 2020)

Transferability describes the application of research findings to other situations (Connelly, 2016). The qualitative component of this research aimed to illuminate the role of CSR in risk management within the context of the study (Lincoln and Guba, 1985). As such, generalising the results beyond the setting of the studied sample over a population was not the main concern for qualitative research, as it

is for quantitative research (Leech & Onwuegbuzie, 2009). Nevertheless, this research used explanatory MMR to support transferability of the findings in the extractives sector; for example, other companies in extractives industry (Tashakkori & Teddlie, 2010). Furthermore, consultations with academic colleagues and supervisors assured confidence in the rigour of the research approach.

Conformability and dependability are demonstrated when repeated investigations return similar results, thus supporting convergent validity, as mentioned earlier (Connelly, 2016). Organising and storing the data in NVivo 12 software for future retrieval and later checks preserved the data in a state that allowed the analysis to be repeated and replicated, thus adding added rigour to the qualitative phase (Miles et al., 2020). The data set was not small enough to use manual methods, as there is the risk of human error in searching for simple information on the whole data set (Bryman, 2012). Therefore, the NVivo 12 search facility provided some assurance of the robustness and accuracy of the search results. This is certainly true when the data was searched in terms of attributes; for example, searching for the word social value or risk management in the interview text (Cameron, 2009). Carrying out such a search electronically yielded more reliable results than doing so manually, simply because human error was ruled out if supported by a clear mutually exclusive set of reference terms (Denzin & Lincoln, 2018).

Nevertheless, in terms of interrogating the text in more detail, it is a little more difficult because the existence of multiple synonyms may result in partial retrieval of information (Miles et al., 2020). Although it is possible to search for particular terms, and their derivations, the way in which respondents express similar ideas in different ways makes it difficult to recover all responses, thus careful search terms are required (Denzin & Lincoln, 2018). The decision to stop coding and consider possible thematic connections across the data was made at different points in the analysis process (Bryman, 2012; Yin, 2015). Because the electronic

coding process is fast, it is possible for further coding to take place in the study, which makes more use of the software than one that uses only manual methods. However, this does not necessarily mean that this additional coding contributes much to an understanding of the data and it could also give a false sense of rigour and transparency (Bryman, 2007).

In summary, “it is useful to think of the qualitative research project as a rich tapestry. The software is the loom that facilitates the knitting together of the tapestry, but the loom cannot determine the final picture on the tapestry” (Welsh, 2002, p. 6). However, through its advanced technology, the software speeded up the process of producing the tapestry while limiting the weaver’s errors. Nevertheless, for the weaver to succeed in making the tapestry, they need to have an overview of what they are trying to produce because different researchers may “weave different tapestries” from the same available material depending on the questions asked of the data. Therefore, all the researchers must align on the working material if they intend to use software programs to analyse data (Merriam & Tisdell, 2016). Consequently, in this study, the quality, rigour, and trustworthiness of the research were enhanced by conducting an IRR check as explained in Section 7.3.3 (McDonald et al., 2019). IRR was completed to check the coding agreement on the interview data and ensure that it met or was higher than the acceptable IRR of 0.61 (61%) as suggested by McDonald et al. (2019).

### *5.9.2 Problem of Social Desirability Bias*

As with most research, this study was certain to face concerns regarding social desirability bias. The researcher addressed social desirability bias and examined methodological assumptions and procedures (Bergen & Labonté, 2019). To address this potential bias, each participant was assured that the purpose of the research was to understand the role of CSR in risk management in the extractives sector in Australia (Collins et al., 2005). This ensured that participants

could freely express themselves without fear of negative repercussions (Miles & Huberman, 2002).

Furthermore, they were also guaranteed confidentiality for both them and their organisation. Despite this seeming to reassure individual participants, there was the potential for social desirability bias impacting the responses given in the interviews based on the respondents already working either in risk management or CSR (Bergen & Labonté, 2019). The researcher looked out for potential sources of bias by being alert of survey respondents who answered questions in a manner that will be viewed favourably by others. The potential for the possible role of self-selection bias and author positionality due to the researcher's role as an industry insider is discussed in Section 5.7.2.

### *5.9.3 Validity and Rigour*

Validity has been identified as one of the major issues in MMR and is the most important aspect of a research project (Kirk & Miller, 1986). Validity in MMR is defined as employing strategies that address potential issues in data collection, data analysis, and the interpretations that might compromise the merging or connecting of the qualitative and quantitative strands of the study and the conclusions drawn from the combination (Johnson et al., 2007). During the separate quantitative and qualitative phases, several different measures were employed to ensure the validity of the resultant data. The next section will outline those measures and discuss the strategies used in the phases of data collection and data analysis.

#### *5.9.3:1 Validity in the Quantitative Phase*

In the quantitative phase, five different types of validity were adopted (Fink, 2010). Firstly, content validity refers to whether the items measure the content they were intended to measure. This was measured through the piloting phase of the questionnaire by experts and academics, who confirmed that it was measuring the role of CSR in risk management (Leech & Onwuegbuzie, 2009).

Secondly, predictive validity, which describes whether scores predict the criterion measure; was not used in this research. Thirdly, contextual validity was addressed through the pilot survey by subject matter experts (Reason & Rowan, 1981). Fourth, convergent validity, which takes two measures that are supposed to be measuring the same construct and shows that they are related; this was not used in this research. Lastly, construct validity, was used to assess whether items indeed measured the relevant hypothetical constructs or concepts (Bryman, 2012; Leech & Onwuegbuzie, 2009).

Another important concern in this phase was the reliability of the data. This refers to the internal consistency of the instrument used; that is, whether the items' responses are consistent across constructs (Kirk & Miller, 1986). When one modifies an instrument or combines instruments in a study, the original validity and reliability may not hold for the new instrument, and it becomes necessary to establish validity and reliability during data analysis (Creswell, 2021). As the researcher combined several different instruments to design the quantitative survey, Cronbach's alpha was calculated to conduct an inter-item reliability check of the internal consistency of the survey scales for the theme "role of CSR impact on risk management." The scales in the survey were considered reliable as they met or exceeded alpha levels of 0.7, (Peterson, 1994)

#### *5.9.3.2 Credibility*

Credibility is defined as the value and believability of the findings (Glaser & Strauss, 1967). Lincoln and Guba (1985) argued that credibility is one of the most important factors in establishing trustworthiness. One strategy for ensuring credibility is prolonged engagement until the researcher has gained a full understanding of the phenomena investigated or saturation (Glaser & Strauss, 1967). The interviews were continued until it was felt that the interviewee experiences achieved the requisite variety and saturation (Glaser & Strauss, 1967). Peer debriefing or analytic triangulation is another approach to ensure that the interpretation of the data is credible (Cameron, 2011). This was pursued

formally and informally during the conduct of this research. Presentations at PhD seminars and conferences such as the WA Business Faculties Research Student Festival 2020, as well as conversations with professional peers, supervisors, and other academic staff at the School of Business regarding the emerging findings, aided the researcher in engaging and exploring additional perspectives on the data.

#### *5.9.3.3 Transferability*

Transferability in qualitative research is reliant on the thick description of the context and the reality of participants (Lincoln & Guba, 1985). In the final report, the researcher detailed rich and comprehensive descriptions of the findings so readers could make informed decisions about the applicability of the findings to specific contexts. The context was described and raw data, in the form of appropriate direct quotes from participants, were provided to further enhance transferability (Connelly, 2016)

#### *5.9.3.4 Dependability and Confirmability*

Dependability describes how stable the qualitative data is, rather like reliability in the quantitative method (Lincoln & Guba, 1985). Confirmability refers to neutrality and objectivity of the data and is focused on guaranteeing that findings are from genuine experiences and thoughts of the participants, instead of researcher predilection (Guba & Lincoln, 1989). One technique to ensure both dependability and confirmability is an audit trail (Welsh, 2002). The purpose of an audit trail is to determine if the findings and inferences are both logical and grounded in the data and therefore represent faithful descriptions recognisable to the reader (Connelly, 2016). This is achieved through maintaining records of raw data including written field notes, data gathering and analysis, process notes, and instrument development (Welsh, 2002). Inter-coder reliability tests are conducted to test the consistency of the coding of the interview content with an application of the same coding scheme by different coders, as discussed in Section 7.3.3.

Using qualitative software such as NVivo 12 enhanced the rigour of the research by maintaining a thorough account of the decisions made during the data collection and analysis (Silverman, 2013). Furthermore, the “coding query tool” in NVivo 12 allowed for the audit of findings and helped guard against researcher bias towards their preferred position (Connelly, 2016; Lincoln & Guba, 1982). The study data has been retained and the coding and analysis process is demonstrated in the NVivo 12 printouts generated throughout the process (Appendix 10 and 11) provides additional transparency and demonstrates credibility (Welsh, 2002).

## **5.10 Conclusion**

This chapter presents the decisions made by the researcher throughout the project. It explains how the researcher integrated two research approaches into one sequential MMR to fulfil the research aims and objectives. The role of CSR in risk management in Australia’s extractives industry could not have been fully interpreted from the data collected through the quantitative online survey alone. The semi-structured interviews, therefore, proved to be a robust tool to capture a more comprehensive understanding of the perceptions of the role of CSR in risk management. This was achieved through triangulation of the quantitative online survey and semi-structured interview findings.

The chapter also explained how the research question was selected, the rationale for it, and the definition of value adopted in this research. It explained the various aspects of value, not only to the financial or wider economic benefits from the industrial activity, but also to its environmental, social, and cultural impacts as well as the physical and socio-political context. The value of CSR in risk management to all stakeholders was captured through the perception of the practitioners. For example, aspects to be investigated include the motivations behind CSR adoption and implementation, CSR critical success factors, risk management approaches, and factors affecting their implementation. Throughout this process, the interface and role of CSR in risk management; for example,

managing community risks, regulatory compliance risks, and workforce attraction were explored as value aspects.

Therefore, it is of significance that the methodology contributes to the research outcome by guiding the researcher to explore and examine a social phenomenon, that is, CSR and risk management. This chapter interrogated the nature of knowledge (epistemology), and the way reality (ontology) is considered, viewed, and defined. Most importantly, it outlined the researcher's analytic journey to transform survey and interview data into meaningful inferences and conclusions. Overall, this chapter explained in detail the chosen mixed method research approach and its underlying paradigms. It outlined the method selection and justification of the individual research steps while ensuring the defensibility and robustness of the mixed method approach.

Chapter 6 will report on the analysis of the quantitative survey and results.

## Chapter 6 Phase 1: Quantitative Data Analysis – Survey

### 6.1 Introduction

This chapter discusses the analysis of the online survey data (Phase 1) investigating the role of CSR in risk management in the extractives industry in Australia. As described in Chapter 5, the online survey was analysed using SPSS 26 to produce descriptive and inferential statistics to address the research questions outlined in Chapter 1.

This chapter is structured as follows. Section 6.2 presents the data on the response rate and sample population. Section 6.3 presents the reliability and validity tests conducted to assess the online survey instrument. Section 6.4 sequentially follows the four research questions to outline the results of the analysis of the relationship between CSR and risk management in the extractives industry in Australia. Section 6.5 considers the areas identified and selected for further research to be investigated by the interviews (Phase 2) following the survey. Section 6.6 concludes the chapter and highlights the key results and implications for the qualitative (interview) stage of the research in respect to the four research questions:

RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?

RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia to support CSR uptake and implementation.

RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?

RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

## 6.2 Response Rate

A total of 550 online survey invitations were mailed out to a total of 160 companies in the mining, oil and gas sector. The number of participants that returned the survey questionnaire was 171 (31.1%) from 73 companies, representing approximately 45% of the organisations surveyed. Non-response bias is not considered a concern given the response rate of 31.1% is well above the 10% threshold considered to be adequate by most researchers for large-scale mail surveys (Fink, 2015). The study findings were also not affected by the commonly cited disadvantage of survey's findings quickly becoming out of date since the role of CSR in risk management is not subject to rapid change.

The companies comprised operators and service providers, including consultancies. A further analysis of the survey responses was conducted to identify missing data (Little & Rubin, 2019). Of the 171 returned surveys, 59 participants did not fill out the survey completely, which reduced the usable number of surveys to 112. Cases with missing data were detected by running case frequencies of the responses in SPSS 26 to identify those missing data of 5% or more (Little & Rubin, 2019). Cases with missing data of 5% or more overall were excluded from further analysis as they were likely to lead to bias (Dong & Peng, 2013). The incomplete surveys were reviewed, considered, and found to have no impact on overall results. The usable survey participant group represented 20.2% (112) of the survey phase of the study. Table 6-1 below provides a summary of the survey respondents.

**Table 6.1: Status of Survey and Number of Respondents**

<i>Survey status</i>	<i>Respondents (n)</i>	<i>%</i>
Completed survey, yes to interview – usable	55	32%
Completed survey, no to interview – usable	57	33%
Incomplete survey – not usable	59	35%
Total	171	100%

Of the 112 who completed the survey, 55 (32% of the returned surveys) agreed to participate in Phase 2 (interviews), while 57 (33% of the returned surveys) declined.

### 6.3 Reliability and Validity Tests

Reliability relates to consistency within a test or between repeated uses of research methods in the same circumstances, that is, the consistency or stability of the measuring instrument (Peterson, 1994). Validity relates to whether a test measures what it was created to measure (Onwuegbuzie & Johnson, 2006). When using Likert-type scales (as in this study), it is essential to perform a reliability analysis on the variables used as an indicator of how closely a set of items are related and check whether the responses are consistent (James & Lee, 2011; Taber, 2017). Internal consistency was determined using Cronbach’s alpha as it is one of the most preferred standard tests of internal consistency (Tavakol & Dennick, 2011). Table 6-2 presents the strength of internal consistency using Cronbach’s alpha (Taber, 2017).

**Table 6.2: Strength of Internal Consistency Using Cronbach’s Alpha**

<i>Cronbach’s alpha</i>	<i>Internal consistency</i>
$a \geq .9$	Excellent
$.9 > a \geq .8$	Good
$.8 > a \geq .7$	Acceptable
$.7 > a \geq .6$	Questionable
$.6 > a \geq .5$	Poor
$.5 > a$	Unacceptable

Source: Taber, 2017

Following the procedure for calculating Cronbach’s alpha ( $\alpha$ ) coefficients set out in James and Lee (2011), reliability coefficients were computed for the different research variables/themes – CSR benefits; factors affecting CSR; risk management benefits; factors affecting risk management; internal control; impact of CSR on risk management; and integration of CSR and risk management – so as to test consistency of the responses (Tavakol & Dennick, 2011). Face validity and content validity were achieved through piloting of the survey with industry professionals and academic practitioners. According to the results, the samples

had good reliability and internal consistency. A summary of the reliability and validity tests performed for the different themes in the survey is detailed in Table 6-3.

**Table 6.3: Reliability and Validity Tests**

<i>Variable/themes</i>	<i>Reliability/ validity</i>	<i>Method for checking</i>	<i>Notes and test results</i>
CSR benefits	–	Content and face validity	Literature review, panel of experts, and piloting.
Factors affecting CSR	–	Content and face validity	Literature review, panel of experts, and piloting.
Risk management benefits	–	Content and face validity	Content validity through literature review and piloting of experts.
Factors affecting risk management	–	Content and face validity	Literature review and panel of experts.
Internal control	0.912	Cronbach's alpha	Out of eight items in internal control question.
Impact of CSR on risk management	0.790	Cronbach's alpha	Out of seven items.
Integration of CSR and risk management	0.779	Cronbach's alpha	Out of 10 items.
Overall survey	–	Content and face validity and reliability.	Expert judge – panel of experts; pilot tested (n = 6) professional members. Consensus of content included aspects such as usability, navigation, reliable content, visual appeal, and layout.

## 6.4 Descriptive Analysis of Questionnaire Data

This section presents the descriptive statistics calculated from the online survey quantitative results. The quantitative analysis was intended to establish the control variables, establish the presence of CSR and benchmark people's understanding of CSR by probing its nature and characteristics in the extractive sector. For the purpose of this study nature and characteristics were defined as basic or inherent features such as presence and embeddedness. What this gives is a clearer picture of how CSR is perceived from a point of value as defined in section 5.4.2. The demographic data on and risk management included profession, gender, job category, level of education, department, company's primary industry, operation locations, number of employees, and company annual revenue turnover and whether company has CSR or not.

However, the responses to the survey, as anticipated did not sufficiently answer the question on nature and characteristics thus providing justification for the interviews. The survey findings are presented in Figures 6-1 to 6-21 and Tables 6-4 to 6-15 for the range of variables identified and employed in this study. The section logically follows the four research questions. The following is an analysis of the demographic data in relation to the nature and characteristics of CSR in the extractives industry.

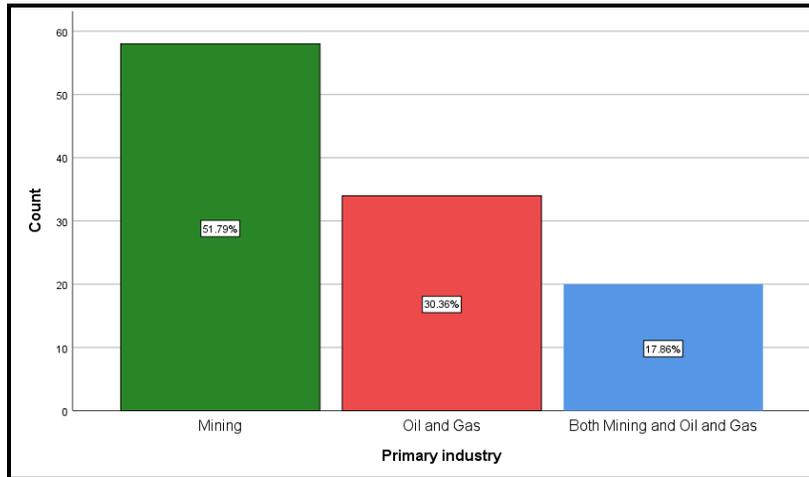
#### *6.4.1 Nature and Characteristics of CSR*

The first research question of the thesis was:

RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?

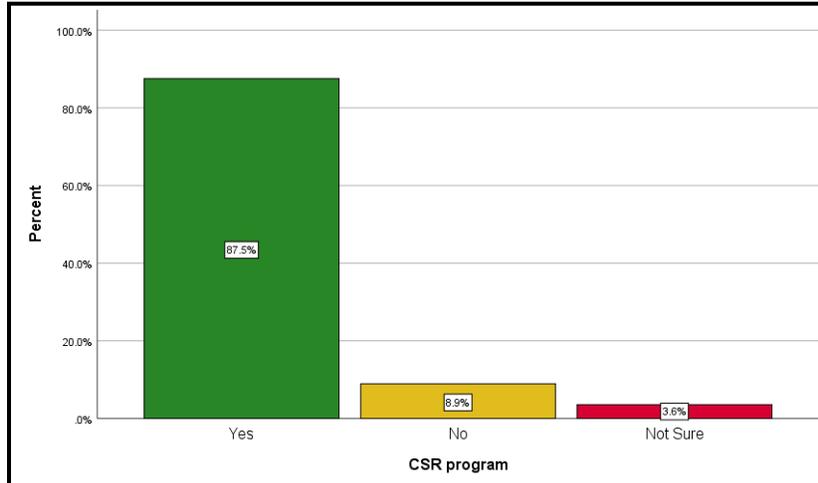
A total of 112 respondents from 73 companies in the extractives industry in Australia provided usable data which was analysed and presented below. This represented 20.2% of the sampled population who completed the survey questions concerning the role of CSR in risk management, providing usable responses to address the research questions on the role of CSR in risk management. Of the 112 respondents, 51.8% were mining, 30.4% were in oil and gas, and 17.9% were in both mining and oil and gas, as illustrated in Figure 6.1.

**Figure 6.1: Respondent Primary Industries**



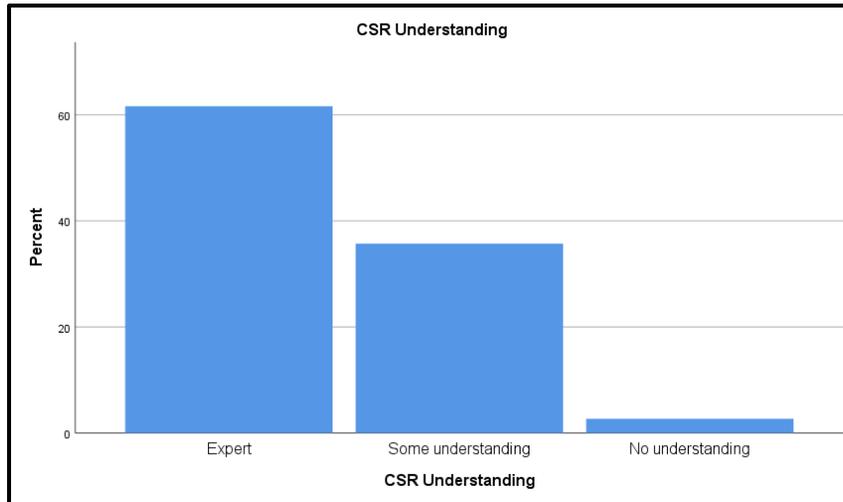
A clear majority of respondents (87.5%) stated that their companies had CSR programs, while 8.9% said they did not have a CSR program and 3% were not sure, as illustrated below in Figure 6.2.

**Figure 6.2: Company has CSR Program**



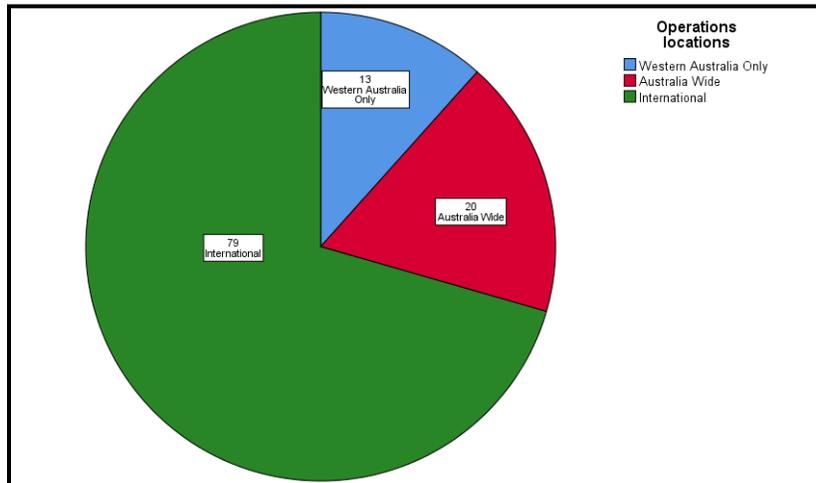
Respondents were asked to self-rate their understanding of CSR. Over 50% rated themselves as experts, 40% rated themselves as having some understanding, and 6% stated that they had no understanding, as illustrated in Figure 6-3.

**Figure 6.3: CSR Understanding**



The survey (Appendix 3) asked participants to identify where the operations of the company were based, that is, Western Australia (WA) only, Australia wide, or internationally. Operationally, 71% (79) of respondents identified their company as operating internationally, 18% (20) as Australia wide, and 11% (13) as WA only, as illustrated in Figure 6-4.

**Figure 6.4: Company Operations Locations**



Regarding company type, 70% (77) of respondents identified their company as operators, 26% (29) as service providers or contractors, and 4% (4) as other, as illustrated in Figure 6-5. Within the 'Other' category were consultancies and professional service companies.

**Figure 6.5: Operator or Service Provider**

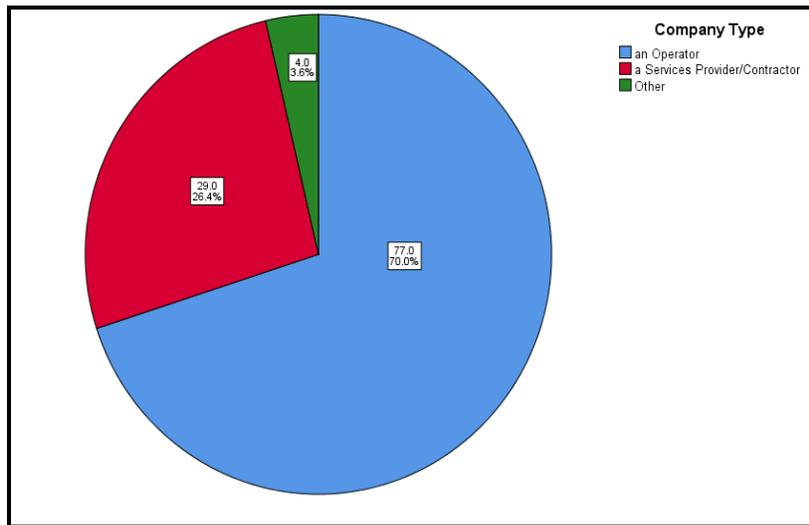


Table 6-4 shows a crosstab of the operations locations and the primary industry of the respondents.

**Table 6.4: Crosstab of Primary Industry Versus Operation Location**

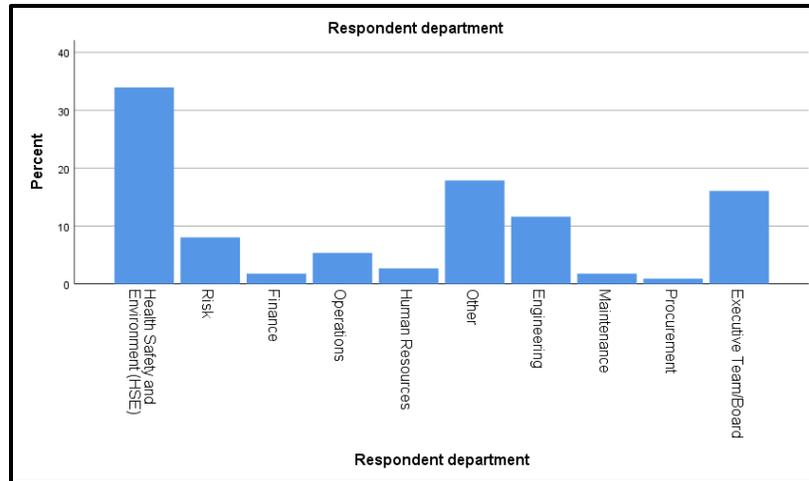
			<i>Operations locations</i>			<i>Total</i>
			<i>Western Australia only</i>	<i>Australia wide</i>	<i>International</i>	
Primary industry	Mining	Count	12	7	39	58
		% within Primary industry	20.7%	12.1%	67.2%	100.0%
		% within Operations locations	92.3%	35.0%	49.4%	51.8%
		% of total	10.7%	6.3%	34.8%	51.8%
	Oil and gas	Count	1	9	24	34
		% within Primary industry	2.9%	26.5%	70.6%	100.0%
		% within Operations locations	7.7%	45.0%	30.4%	30.4%
		% of total	0.9%	8.0%	21.4%	30.4%
	Both mining and oil and gas	Count	0	4	16	20
		% within Primary industry	0.0%	20.0%	80.0%	100.0%
		% within Operations locations	0.0%	20.0%	20.3%	17.9%
		% of total	0.0%	3.6%	14.3%	17.9%
Total		Count	13	20	79	112
		% within Primary industry	11.6%	17.9%	70.5%	100.0%
		% within Operations locations	100.0%	100.0%	100.0%	100.0%
		% of total	11.6%	17.9%	70.5%	100.0%

A closer look at the operations showed that the majority (92.3%) of WA only operators are mining companies. However, when compared to the rest of the sample, it only represented 10.7% of the whole sample (n = 112). There were no WA-only companies recorded that were operating in both mining and oil and gas. Of the companies operating Australia wide, almost half (45%) were solely oil and gas companies. Table 6-4 shows that 67.2% of mining companies had international operations, while 70.6% of oil and gas companies operated internationally.

The spread of departments in which the respondents worked was wide ranging. Respondents from the Health Safety and Environment (HSE) department

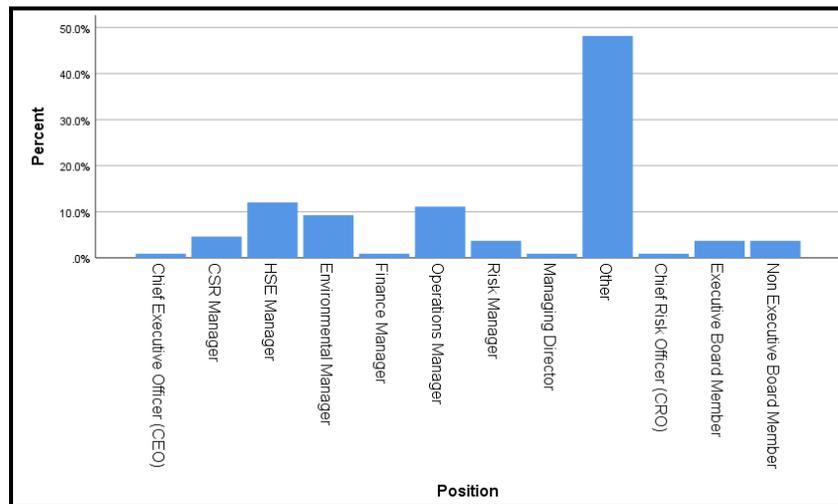
comprised 38% of the total respondents, as illustrated in Figure 6-6. This was followed by Other (30%), which is comprised of many roles that cover CSR but are not in specific CSR departments, as illustrated in Appendix 9. Lastly, those in the Executive Team or Board (18%), demonstrated a strong senior level representation in the sample pool.

**Figure 6.6: Respondent Departmental Roles**



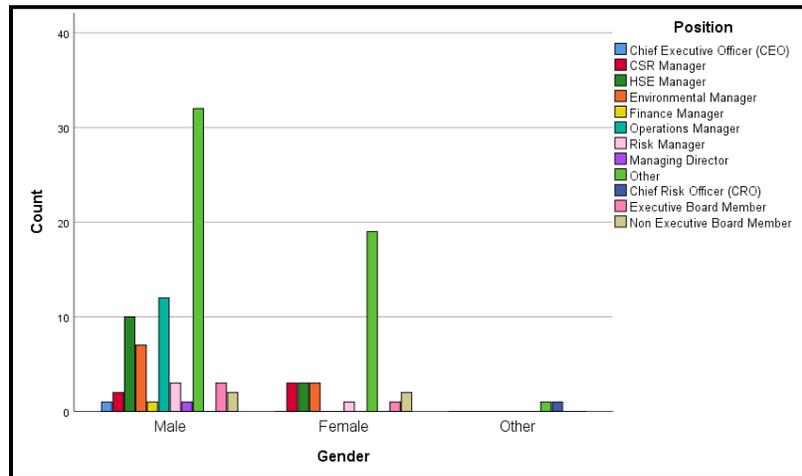
In addition to the departments identified in Figure 6-6, the respondent positions covered the whole spectrum of organisational hierarchies, ranging from professional and middle management to senior leadership members, as illustrated in Figure 6-7.

**Figure 6.7: Respondent Positions**



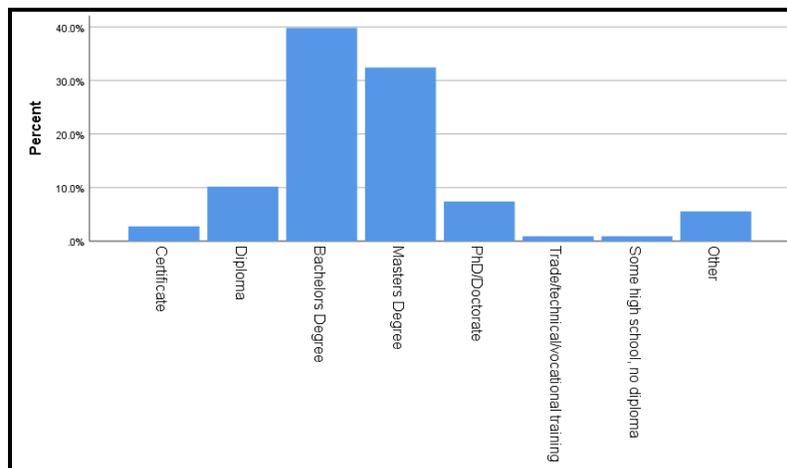
Overall, 68.5% of the respondents identified as male and 29.6% identified as female, while 1.9% identified as other. A plot of respondent positions relative to gender showed that there was an even split between males and females for those that identified their professions as illustrated in Figure 6-8.

**Figure 6.8: Respondent Positions versus Gender**



In relation to educational qualifications, 40% identified as having a bachelor’s degree, 33% a master’s degree, 7% a PhD, and less than 5% had other qualifications, as illustrated in Figure 6-9.

**Figure 6.9: Respondent Qualifications**



The respondents came from a range of companies. Of the respondents’ companies, 19% had 200–1,000 employees, 15% had 1,001–5,000, and 18% had 5,000–10,000 employees. Small companies with 1–200 employees made up

21%. Large-scale MNCs with 10,000–40,000 employees represented 8% of respondents, while 19% had over 40,000 employees. Figure 6-10 illustrates employee numbers. It is interesting to note that there are two peaks.

**Figure 6.10: Total Number of Employees**

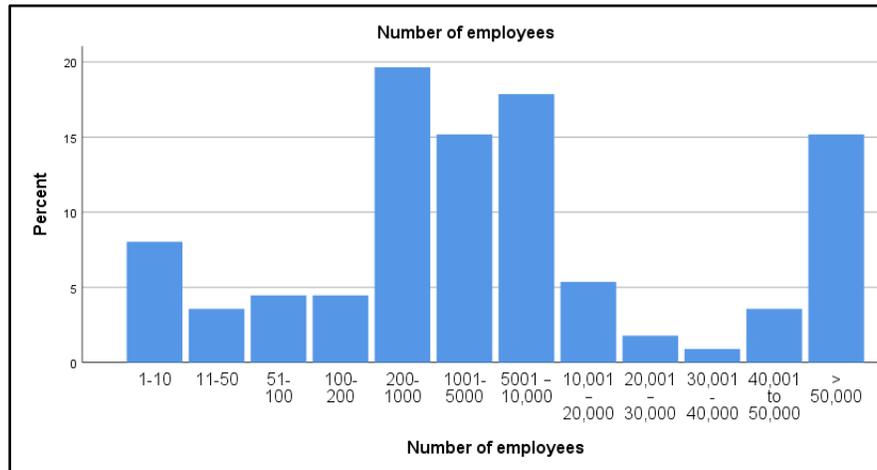


Table 6-5 details the respondents' company stock exchange listing aggregated as a total. Over 40% of the companies were listed on more than one stock exchange.

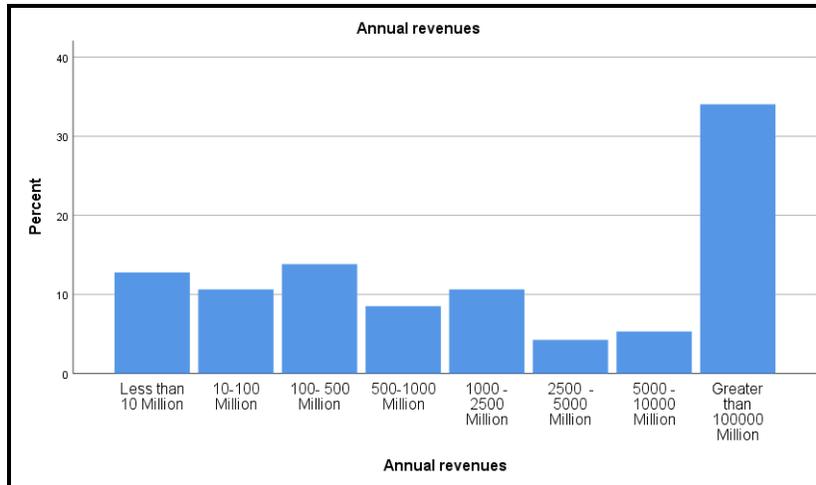
**Table 6.5: Public Listings**

	<i>Public listing</i>	<i>Responses</i>	
		N	Percent
	Australia Stock Exchange	60	41.1%
	London Stock Exchange	20	13.7%
	Johannesburg Stock Exchange (JSE)	7	4.8%
	Tokyo Stock Exchange (TSE)	4	2.7%
	Toronto Stock Exchange	5	3.4%
	New York Stock Exchange	19	13.0%
	Dow Jones	1	0.7%
	Not Listed	21	14.4%
	Other	9	6.2%
Total		146	100.0%

Of the sample surveyed, 41% stated that their companies were listed on the Australian Securities Exchange (ASX), followed by 13.7% on the London Stock Exchange (LSE) and 14.7% not listed at all. There was a correlation between

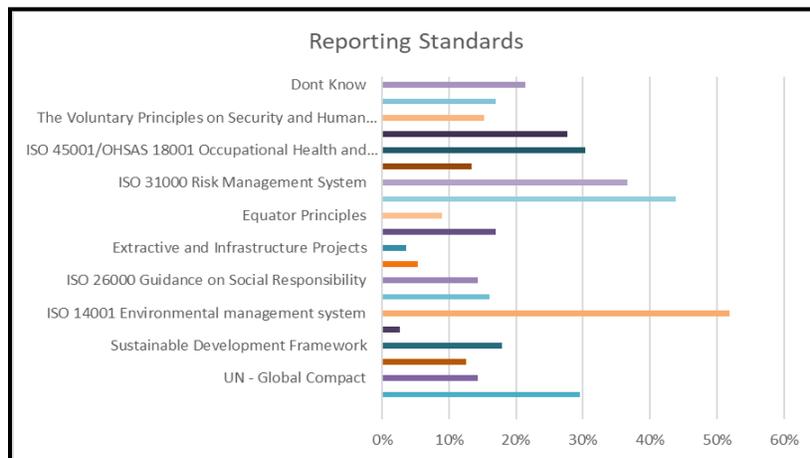
MNCs and stock exchange listing, with 70% of international companies listed on the ASX, 85% on the LSE, and 94.7% on the New York Stock Exchange. As far as annual revenue for the companies is concerned, 25% of the respondents' companies have an annual revenue greater than \$10 billion per year, as illustrated in Figure 6-11.

**Figure 6.11: Company Annual Revenue**



The survey confirmed that companies subscribed to a wide range of reporting standards. The most popular was ISO 14001 Environmental management system (13.9%), followed by GRI (7.9%), as illustrated in Figure 6-12.

**Figure 6.12: Reporting Standards**



To determine if there were any relationships between the demographic variables discussed above, Pearson's chi-square test of independence was performed. Pearson's chi-square test was selected as it is appropriate to test categorical data to determine if there are any relationships between the demographic variables (Bryman & Bell, 2015). As over 50% rated themselves as experts, 40% rated themselves as having some understanding, and 6% stated that they had no understanding, it was important to investigate if CSR understanding was related to other variables.

Firstly, a Pearson's chi-square test of independence was performed to investigate if an understanding of CSR was dependent on company size, which was measured by total number of employees. The relationship between these variables was significant,  $\chi^2 (22, N = 112) = 22.18, p < .01$ . This can be explained by the fact that larger organisations invest more resources into CSR. Another explanation could be that the larger the company, the greater the maturity of their systems, hence robust management systems. This supports findings by Baumann-Pauly et al. (2013), who noted that company size generally matters for the CSR implementation approach, and MNCs are advanced in making extensive public commitments to CSR and publishing comprehensive reports.

Consequently, a Pearson's chi-square test of independence was performed to examine the relationship between a company having a CSR program and number of employees. The relationship between these variables was significant,  $\chi^2 (22, N = 112) = 24.81, p < .01$ . suggesting that organisational size has implications on the chances that an organisation will have a CSR program. This supports previous findings by Jenkins (2009) that CSR activities depend on the size of the company and its resources, thus corroborating the first test. Because the implementation process involves rolling out programs and information campaigns, it could explain why those in larger companies appear to have a better understanding of CSR.

Secondly, a Pearson's chi-square test of independence was performed to examine the relationship between an understanding of CSR and a company's annual revenue. The relationship between these variables was significant,  $\chi^2 (14, N = 112) = 9.73, p < .01$ . This supports the findings by Cronin and Zappalà (2002) whose survey of Australia's top 100 companies (determined by revenue) found that just over 70 percent of companies surveyed had engaged in CSR. This suggests that a company's annual revenue has implications on the understanding of CSR by its employees. One explanation could be that the larger the company revenue, the higher the likelihood of employees having participated in its CSR implementation and consequently, improved understanding of CSR. It could also be because resource companies have relatively well-developed CSR programs relative to other low risk industries, thus raising awareness within their organisations, and ensuring that those programs are run by CSR informed people.

Thirdly, a Pearson's chi-square test of independence was performed to examine the relationship between understanding of CSR and company type (operator or service provider). The relationship between these variables was significant,  $\chi^2 (4, N = 112) = 2.77, p < .01$ . When this is juxtaposed against the respondents' level of understanding of CSR, it showed that the sample had a good representation of people knowledgeable in the subject being researched, hence improving the validity of the findings. This could be explained by the fact that contractors have mainly engaged CSR as a way of meeting demands placed upon them by their clients, as noted by Griffith (2011). These results are consistent with previous research by Loosemore et al. (2018), who concluded that construction contractors in Australia use a compliance-based approach to CSR.

In relation to educational qualifications, 40% identified as having a bachelor's degree, 33% a master's degree, 7% a PhD, and less than 5% had other qualifications. A Pearson's chi-square test of independence was performed to examine the relationship between understanding of CSR and respondents' level

of education. The relationship between these variables was significant,  $\chi^2 (18, N = 112) = 18.01, p < .01$ . There was also a significant relationship ( $P = 0.045$ ) between having a CSR program and level of education. This supports Quazi (2003), who suggests that level of education, and the training status of corporate managers and their perceptions of CSR, has significant implications for the integration of CSR issues into Australian businesses.

A clear majority of respondents (87.5%) stated that their companies had CSR programs, 8.9% said they did not have a CSR program, and 3.6% were not sure. To test if having a CSR program was independent from the primary industry, the respondent companies were operating in, a Pearson's chi-square test of independence was performed to examine the relationship between having a CSR program and company's primary industry. The relationship between these variables was not significant,  $\chi^2 (4, N = 112) = 1.41, p < .01$ . This suggests that CSR programs are a key feature of extractives industry companies due to the nature of their work and stakeholder demands for transparency. This transparency is achieved through CSR. Therefore, this relationship supports findings by Young and Marais (2012), that CSR reporting is stronger in high-risk industries than in low-risk industries.

A Pearson's chi-square test of independence was performed to examine the relationship between a company having a CSR program and company type (operator or service provider). The relationship between these variables was significant,  $\chi^2 (14, N = 112) = 11.91, p < .01$ . This is particularly important when investigating why there are less elaborate CSR programs in service providers compared to operators. This could perhaps be explained by contractors having engaged CSR to meet demands placed upon them by their clients (Griffith, 2011). These findings are consistent with (Eadie & Rafferty, 2014), who showed that service providers have limited resources and see CSR as not having value for money and are thus less motivated to engage in CSR than operators.

To determine if there was a statistically significant association between CSR understanding and gender, Fisher's Exact Test was performed in SPSS as it is the appropriate tool for testing non-random associations between two categorical variables (Kim, 2017). There was significant relationship ( $P = 0.036$ ) between CSR understanding and gender. Of the female respondents, 71.9% identified themselves as experts in CSR compared to 58.1% of males. This is notable when considering that 68.5% of the respondents identified as male and 29.6% identified as female as it suggests that gender has implications on CSR understanding and consequently decisions.

To determine if there was a statistically significant association between gender and company effectiveness and the various elements of risk management, Fisher's Exact Test was performed in SPSS. Although there was no significant relationship ( $P = 0.090$ ) between CSR and overall risk expertise in the company, there was a significant relationship ( $P = 0.048$ ) between gender and board level expertise in risk management. This is consistent with the findings by Rao and Tilt (2020), who suggested that boardroom gender diversity affects risk management as it brings "broad and heterogeneous perspectives to the decision-making process which is critical to voluntary and complex decisions like those regarding CSR" (p. 56). There was also a significant relationship ( $P = 0.039$ ) between gender and the company being effective in introducing and maintaining risk awareness.

Operationally, 71% (79) of respondents identified their company as operating internationally, 18% (20) as Australia wide, and 11% (13) as WA only, as illustrated in Figure 6-4. A Pearson's chi-square test of independence was performed to examine the relationship between a company having a CSR program and company operations location. The relationship between these variables was significant,  $\chi^2 (22, N = 112) = 1.99, p < .01$ . This suggests that MNCs have a greater chance of having a CSR program than smaller national or regional companies as noted by Baumann-Paully et al., (2013).

In summary, it can be concluded from this section that company demographics have an influence on the type and character of CSR present in the extractives industry in Australia. These factors include company operations location, company size, company type (contractor or operator), gender balance, role type and department, company employee numbers, and company turnover. Given that many of these tests yield results that are supported by the existing literature, then it is reasonable to conclude that the other data (including interview data) was sound. The implications of the results are discussed in Chapter 8.

#### *6.4.2 Critical Success Factors*

The second research question of the thesis was:

RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?

The respondents were asked to rank their top three benefits of a CSR program from among a list of benefits developed from the literature review, the researcher's industry experience, and the survey pilots. The most highly ranked benefit of a CSR program was improving organisational reputation and brand loyalty, followed by organisational growth, and greater attraction and retention of talented staff, as illustrated in Table 6-6.

**Table 6.6: Benefits of CSR**

<i>CSR benefits</i>	<i>Mean</i>	<i>N</i>	<i>Std. deviation</i>
Improving organisational reputation and brand loyalty	2.18	68	0.809
Supports organisational growth	2.17	23	0.778
Greater attraction and retention of talented staff	2.10	39	0.680
Improved accessibility to capital	2.05	21	0.973
Improved financial performance	2.03	32	0.897
Operational cost savings	1.95	22	0.844
Avoids organisation being implicated in publicised ESG failure	1.91	32	0.928
Emphasising the link between financial and non-financial performance	1.90	20	0.852
Enabling external stakeholders to understand the organisation's true value, both its tangible and intangible assets	1.86	37	0.751
Influencing long-term management strategy, policy, and business plans	1.73	26	0.778

Note: N = number of people

The top CSR driver, as distinct from CSR benefits, is to gain an SLO, followed by being seen to be socially and environmentally responsible, and integrating ethics into company operations, as illustrated in Table 6-7.

**Table 6.7: CSR Drivers**

<i>CSR drivers</i>	<i>Mean</i>	<i>N</i>	<i>Std. deviation</i>
To gain an SLO	2.41	44	0.787
Being seen to be socially and environmentally responsible	2.27	64	0.782
Integrating ethics into company operations	2.17	6	0.753
Public relations exercise	2.09	35	0.742
Organisational commitment to transparency	2.00	33	0.791
To increase profitability	1.83	6	0.753
To support risk management	1.81	26	0.849
Market differentiation and competitive advantage	1.73	11	0.905
Reputation management	1.68	37	0.709
Institutional issues such as public and private regulation rules regarding corporate behaviour	1.58	12	0.515
Stakeholder activism and pressure	1.50	16	0.730
To divert attention of regulatory bodies, civil society, and other stakeholders	1.33	3	0.577
Philanthropy	1.00	4	0.000
Fashion following – a trending phase after corporate scandals or corruption	1.00	2	0.000

It is important to highlight the fact that the involvement of investors was specifically mentioned as a driver, with one respondent from a mid-sized company stating in the open text section of survey that “Recent interest from investors had drastically increased the seriousness with which these issues are taken” (Respondent 20). In addition, overall organisational benefits of CSR were recognised as a driver for CSR. Respondent 50 utilised the open text section of survey to state that “leading best practice” is a driver for CSR in their business.

The respondents were asked to rank the top three barriers to CSR from a list of 11 barriers identified in the literature. A comparison of means was completed for the ranked barriers to CSR. The top CSR barrier was financial constraints, followed by poor understanding of organisational benefits of CSR and inadequate training and skills, as illustrated in Table 6-8.

**Table 6.8: CSR Barriers**

<i>CSR barriers</i>	<i>Mean</i>	<i>N</i>	<i>Std. deviation</i>
Financial constraints	2.30	37	0.777
Poor understanding of organisational benefits of CSR	2.16	55	0.856
Inadequate training and skills	2.05	21	0.669
Company culture not conducive	2.00	18	0.907
Lack of customer awareness	2.00	37	0.816
Diversity resulting in conflicted organisational expectations	1.88	26	0.711
Lack of stakeholder awareness	1.81	32	0.859
Weak or inadequate regulations and standards	1.70	23	0.765
Lack of top management commitment	1.59	17	0.618
Lack of social audits	1.56	18	0.705
Lack of concern for reputation	1.00	2	0.000

Several respondents noted no barriers to CSR in their companies. “Shifting regulation and over regulation” (Respondent 12) was noted as another barrier. There was emphasis on financial resourcing as a barrier, with one respondent stating that, “There are no other barriers than financial” (Respondent 33), and another respondent stating that there is a lot of competing priorities for resources

in their company, “Competition for capital” (Respondent 39). “Cost and difficult” (Respondent 44) and “Lean set up” (Respondent 42) were the other barriers specifically voiced by the participants. Another issue to note was around poor or limited capacity to communicate the benefits of CSR, particularly the “limited capacity to communicate all the good we have done” (Respondent 46).

The difficulty in measuring and quantifying CSR efficiency, poor understanding of external affairs, and social performance as a value contributor and professional function were also mentioned as barriers. Some of the respondents, while not specifically identifying them as barriers, had conflicting priorities such as commercial imperatives and higher priorities such as safety. It was notable that safety could be considered a competitor of CSR; however, seeing the two as competitors instead of mutually integrated could have been the result of weak systems integration in the respondents’ organisations.

In summary it can be concluded from this section CSR’s Critical Success Factors (benefits, barriers, and drivers) that the top CSR benefits are improving organisational reputation and brand loyalty; supporting organisational growth; and greater attraction and retention of talented staff. The top CSR driver was to gain an SLO, followed by being seen to be socially and environmentally responsible and integrating ethics into company operations. The top CSR barriers were financial constraints, followed by poor understanding of the organisational benefits of CSR and inadequate training and skills. Several respondents noted no barriers to CSR in their companies. The most popular reporting standard was ISO 14001 (13.9%), followed by GRI (7.9%). The implications of the findings are discussed in Chapter 8.

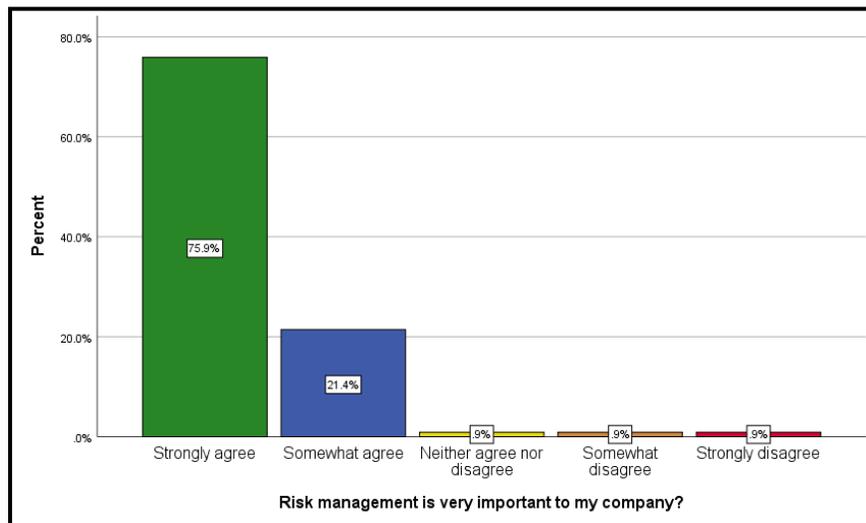
#### *6.4.3 Risk Management in the Extractives Industry in Australia*

This section outlines responses to the third research question:

RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?

It also presents the results from Pearson's chi-square test of independence for the relationships between demographics and risk management aspects. Pearson's chi-square test was used as it is the preferred tool for testing relationships between two categorical variables (Saunders et al., 2016). Almost all the respondents (97.3%) agreed that risk management is important to their company, as shown in Figure 6-13. It was notable that only 1.8% (2) disagreed that risk management was very important to their company.

**Figure 6.13: Risk Management is Very Important to my Company**



A Pearson's chi-square test of independence was performed to examine the relationship between the importance of risk management to a company and the company's primary industry. The relationship between these variables was not significant,  $\chi^2 (8, N = 112) = 3.59, p < .01$ . This was not surprising as the resource industry is a high-risk industry and as such all sectors take risk management seriously, with 94.8% (55) of companies operating in mining, 100% in oil and gas, and 100% in both mining and oil and gas agreeing that risk management is important to their company, as illustrated in Table 6-9.

**Table 6.9: Risk Management is Very Important to My Company and Primary Industry**

			Primary industry			Total
			Mining	Oil and gas	Both	
Risk management is very important to my company?	Strongly agree	Count	42	26	17	85
		% within Risk management is very important to my company?	49.4%	30.6%	20.0%	100.0%
		% within Primary industry	72.4%	76.5%	85.0%	75.9%
	Somewhat agree	Count	13	8	3	24
		% within Risk management is very important to my company?	54.2%	33.3%	12.5%	100.0%
		% within Primary industry	22.4%	23.5%	15.0%	21.4%
	Neither agree nor disagree	Count	1	0	0	1
		% within Risk management is very important to my company?	100.0%	0.0%	0.0%	100.0%
		% within Primary industry	1.7%	0.0%	0.0%	0.9%
	Somewhat disagree	Count	1	0	0	1
		% within Risk management is very important to my company?	100.0%	0.0%	0.0%	100.0%
		% within Primary industry	1.7%	0.0%	0.0%	0.9%
	Strongly disagree	Count	1	0	0	1
		% within Risk management is very important to my company?	100.0%	0.0%	0.0%	100.0%
		% within Primary industry	1.7%	0.0%	0.0%	0.9%
Total		Count	58	34	20	112
		% within Risk management is very important to my company?	51.8%	30.4%	17.9%	100.0%
		% within Primary industry	100.0%	100.0%	100.0%	100.0%
		% of Total	51.8%	30.4%	17.9%	100.0%

From the results, it is clear the top benefit of risk management is that it identifies threats and opportunities that are not apparent to the company, followed by ensuring regulatory compliance through effective coordination of regulatory and compliance matters, and reducing the number, type, and severity of adverse events, including third party related incidents. As illustrated in Table 6-10, most of the benefits of risk management listed in the questionnaire were identified as important by the participants. This could be explained by the importance of risk management to the extractives sector and/or diversity in the sample of respondents, who all were connected to risk management in some way within the organisation.

**Table 6.10: Benefits of Risk Management**

<b>Benefits</b>	<b>Responses (n)</b>	<b>%</b>	<b>% of cases</b>
Identifies threats and opportunities that are not apparent to the company	89	11.8%	79.5%
Ensures regulatory compliance through effective coordination of regulatory and compliance matters	81	10.7%	72.3%
Reduces number, type, and severity of adverse events, including third party related incidents	81	10.7%	72.3%
Supports business continuity	78	10.3%	69.6%
Mitigation or reduction of potential loss after an event has occurred	71	9.4%	63.4%
Provides insight and support to the board of directors	68	9.0%	60.7%
Improved financial performance and cost reduction (e.g., through efficiency or avoid overpayment)	68	9.0%	60.7%
Addressing internal compliance requirements	54	7.1%	48.2%
Recognition and credit by regulators for cooperation in meeting compliance	49	6.5%	43.8%
Reduced insurance premiums	41	5.4%	36.6%
Supports defence to class action and civil suits	34	4.5%	30.4%
Sustaining brand loyalty and customer retention	31	4.1%	27.7%
Other	11	1.5%	9.8%

The other top benefits are that it ensures regulatory compliance through the effective coordination of regulatory compliance matters; reduces the type and severity of adverse events, including third party related incidents; and supports business continuity and business resilience.

An open text option was provided for the question on the benefits of effective risk management and the quantitative data is reflected in the comments from the respondents, which signify the link between CSR and risk management. Examples include:

“Identifies opportunities to enhance outcomes for society”  
(Respondent 46).

“Keeps our people safe, healthy and limits environmental and community harm” (Respondent 35).

“Enables building safety culture” (Respondent 14).

“People and environmental safety” (Respondent 104).

“Tool for understanding and managing social and environmental impacts” (Respondent 103).

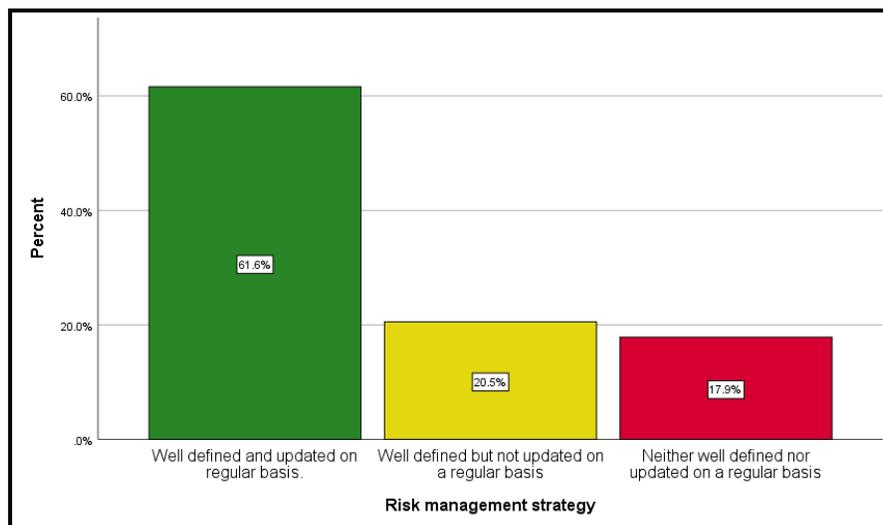
“Achieving strategic objectives” (Respondent 93).

“Business Resilience Care for our people Corporate Citizenship” (Respondent 11).

“Prioritises the tasks where time and effort need to be focused” (Respondent 47).

Some of the respondents identified that if risk management is done well it “creates a growth mindset and learning organisation, which is a good for conformance (compliance and protection) and performance (innovation–opportunity risk)” (Respondent 69). When asked to rank the maturity of their company’s risk management strategy, 61.6% of respondents stated that their company’s strategy was well defined and updated on a regular basis, while 17.9% thought it was neither well defined nor updated on a regular basis, as shown in Figure 6-14.

**Figure 6.14: Maturity of Company’s Risk Management Strategy**



The barriers of risk management identified by the participants are illustrated in Table 6-11. The top barriers of risk management were insufficient resources to

manage risk (30.4%), lack of knowledge to manage risk (30.4%), and poor communication throughout the organisation (29.5%).

**Table 6.11: Top barriers of risk management**

<i>Top barriers</i>	<i>Response s (n)</i>	<i>%</i>	<i>% cases</i>
Insufficient resources to manage risk	34	13.0%	30.4%
Lack of knowledge to manage risk	34	13.0%	30.4%
Poor communication throughout the organisation	33	12.6%	29.5%
No major challenges at present	30	11.5%	26.8%
Lack of strong leadership in the risk management function	29	11.1%	25.9%
Insufficient real time data (i.e., insufficient management of information systems)	20	7.6%	17.9%
Insufficient risk management processes, procedures, and tools	19	7.3%	17.0%
Lack of expertise at the board level	16	6.1%	14.3%
High costs of risk management	16	6.1%	14.3%
Other	16	6.1%	14.3%
Uncertainty over future regulation	15	5.7%	13.4%

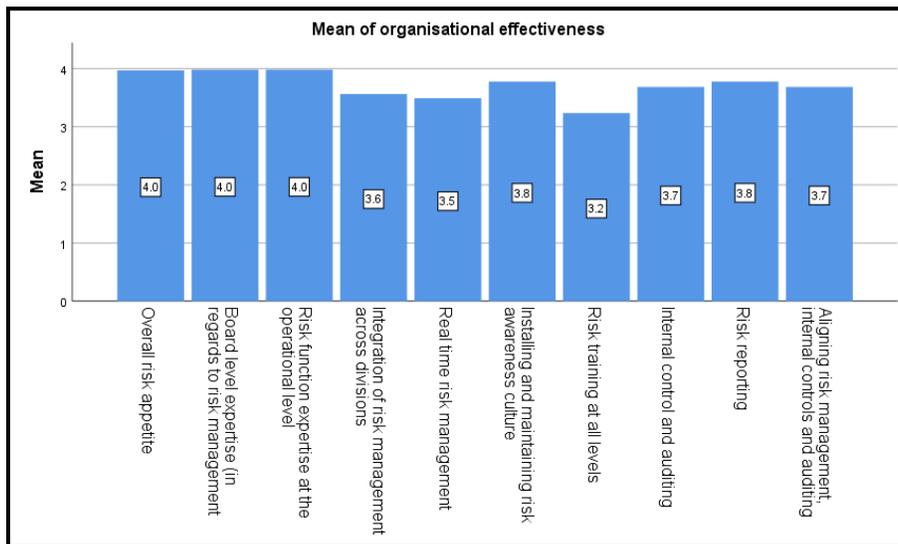
The lack of appropriate risk management tools and inappropriate application of risk management frameworks and assessments was raised by some respondents as a barrier: “The integrated risk management tools available on the market are not user friendly or intuitive and we have to spend a lot of money to develop bespoke tools” (Respondent 61). This may also be compounded by poor communication of the impact and benefits of risk management processes in organisations.

The impact of culture as a barrier for effective risk management was raised in the many different forms of cultural impact by the participants: “Low culture in risk management” (Respondent 26); “Culture at lower levels to incorporate risk management strategies on projects (it won’t happen to me)” (Respondent 55); and “Reactive not proactive” (Respondent 50). Communication was raised as part of impacting on culture both laterally and vertically within the organisations, with one respondent stating that “poor communication to below supervisor level while supervisor level and above is good” (Respondent 46) and another who

voiced that there was “Poor communication in some areas” (Respondent 18). The results suggest that the mindset of employees is another barrier to effective implementation of risk management, particularly when there is no transparency, acknowledgement of risk, or responsiveness.

The survey participants were also asked to rank the effectiveness of their company’s risk management system. Overall, organisational effectiveness in risk management ranged from a mean of 3.2–4 out of 5, with 1 representing strongly disagree and 5 representing strongly agree that the organisation was effective in risk management, as illustrated in Figure 6-15. The lowest mean of 3.2 was for risk training at all levels of the organisation, while overall risk appetite, board level expertise relating to risk management, and risk function expertise at the operational level had the highest mean of 4.

**Figure 6.15: Mean of Organisational Effectiveness in Risk Management**



Proportionally, 36.6% of respondents stated that their company’s risk management strategy was effective, while 40.2% somewhat agreed as illustrated in Table 6-12. Over 75% of respondents stated that their company had strong board level expertise to manage company risks, while 24% disagreed. When asked to rank organisational effectiveness in terms of managing risk at an operational level, 73.8% of respondents agreed that their organisation had effective risk expertise at operational level, while 27.2% disagreed; and 70.9% of

respondents agreed that their company was good at risk reporting, while 17.9% disagreed.

Overall, 65.5% of the respondents stated that their company was good at internal control and that the auditing management strategy was well defined and updated on a regular basis, while 34.5% disagreed; 70.6% of respondents agreed that their company was effective at instilling and maintaining a risk awareness culture, while 17.5% disagreed; and 62.4% of respondents stated that their company's risk management strategy was well defined and updated on a regular basis, while 24.8% disagreed. Over half (54%) of the respondents stated that their company was effective in real time risk management, while 25.4% disagreed; 65.7% of respondents stated that their company was effective in aligning risk management internal controls and auditing, while 24.3% disagreed; and 47.3% of respondents stated that their company was effective in risk training at all levels, while 31.9% disagreed. Table 6-12 presents the responses as percentages.

**Table 6.12: Organisational Risk Management Effectiveness**

<i>Organisational Risk Management Effectiveness</i>	<i>Agreed</i>	<i>Disagreed</i>
Overall risk management	76.8%	23.2%
Board level expertise in risk management	75.7%	24.3%
Risk function expertise at the operational level	73.8%	27.2%
Integration of risk management across divisions	70.9%	20.5%
Real time risk management	54.3%	25.4%
Installing and maintaining risk awareness culture	70.6%	29.4%
Risk training at all levels	47.3%	31.9%
Internal control and auditing	65.5%	34.5%
Risk reporting	70.9%	29.1%
Aligning risk management, internal controls and auditing	65.7%	25.4%

Operational risk was identified as the most important risk affecting the business, followed by financial risk and strategic risk, as illustrated in Table 6-13. This is because extractives industry is a high-risk industry and hence those who work in it are naturally exposed to robust risk management practices. From the results,

compliance and regulatory risk as well as reputational risk affected the organisations the least.

**Table 6.13: Ranking of risk type affecting organisation**

<i>Risk</i>	<i>Mean</i>	<i>N</i>	<i>Std. deviation</i>	<i>Median</i>
Operational risk	4.70	112	1.24	5
Financial risk	4.20	112	1.28	4
Strategic risk	4.14	112	1.33	4
Compliance and regulatory risk	3.81	112	1.35	3.5
Reputational risk	3.05	112	1.43	2
Other	1.10	112	0.63	1

One respondent specifically noted that “risk has only recently become high on the agenda of their organisations where they have recently been appointed to the board and organisation has a new CEO and ELT” (Respondent 69). Another respondent noted that “they have only been in their new role for a few weeks and their main objective is to develop appropriate risk management policies and governance” (Respondent 74). These findings support the notion that the risk management approach of an organisation is potentially an outcome of the type and approaches of the personnel in the roles as noted by one respondent that “we are currently developing our risk management system” (Respondent 82).

In summary, it can be concluded from this section that the respondents strongly agreed that risk management is important to their company and that their company’s risk management strategy was well defined. Operational risk is the top risk facing the extractives sector industry in Australia. This may be due to the nature of the mining industry particularly inward-looking bias by survey respondents. This is because extractives industry is a high-risk industry and hence those who work in it are naturally exposed to robust risk management practices. However, the industry also faces financial, strategic, compliance, and reputational risks. The top three risk management benefits were that it identifies threats and opportunities that are not apparent to the company; ensures regulatory compliance through effective coordination of regulatory and

compliance matters; and reduces the number, type, and severity of adverse events, including third party related incidents. The results suggest that internal control is fairly well established in some companies, thus providing assurance of the risk management processes. The implications of the findings are discussed in Chapter 8.

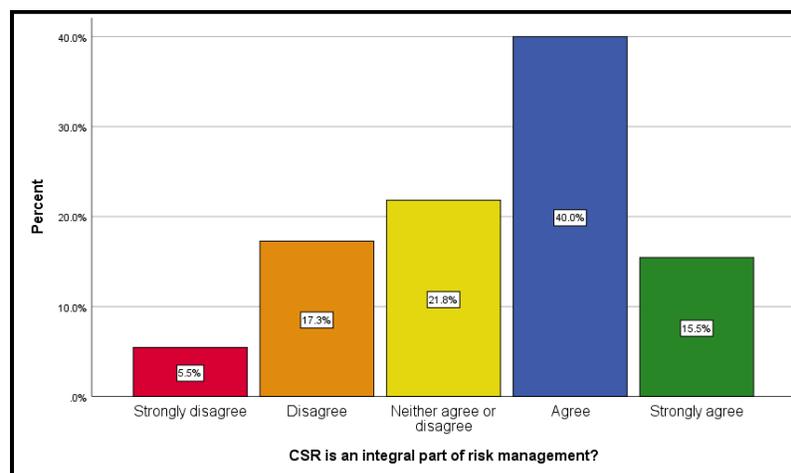
#### 6.4.4 Role of CSR in Risk Management

The final research question of the thesis was:

RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

When asked whether CSR was an integral part of their company's risk management strategy, 55.5 % of respondents agreed, 21.8% were neutral, and 22.8% noted that CSR was not an integral part, as illustrated in Figure 6-16. This confirms that for some organisations, CSR has not been integrated into risk management systems.

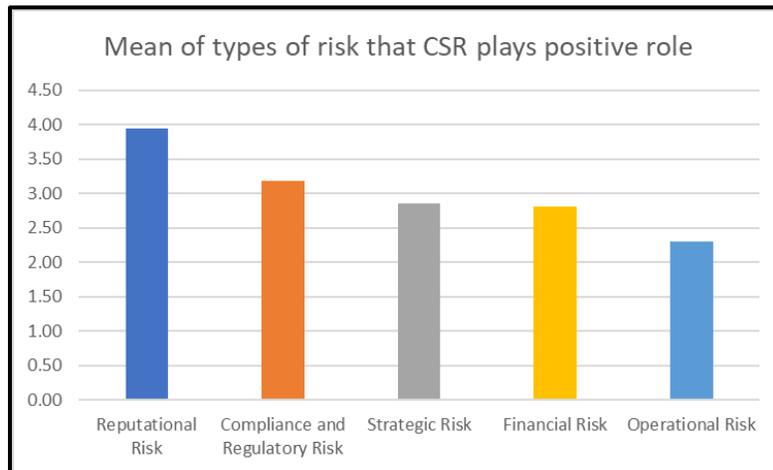
**Figure 6.16: CSR is an Integral Part of Risk Management in my Organisation**



For those respondents who agreed that CSR was an integral part of their company's risk management system, CSR was seen as playing a positive role in managing all the major risk groups. Reputational risk was seen as the top risk

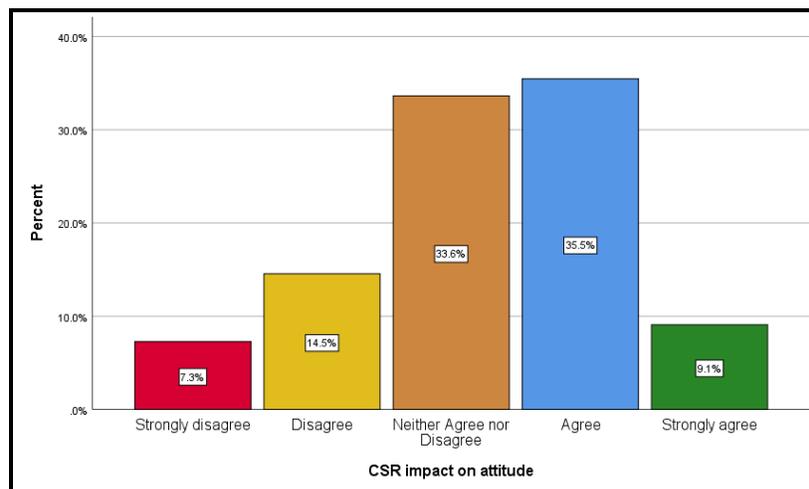
that CSR plays a role in managing, followed by compliance and regulatory risk, operational risk, and strategic risk. With 1 representing strongly disagree, 2 representing disagree, 3 representing neither agree nor disagree, 4 representing agree, and 5 representing strongly agree, the mean was 3.25, as illustrated in Figure 6-17. Furthermore, the mean of 3.25 shows that all risk types were in some way positively impacted by CSR.

**Figure 6.17: CSR Plays a Positive Role in Managing the Following Risks in my Organisation**



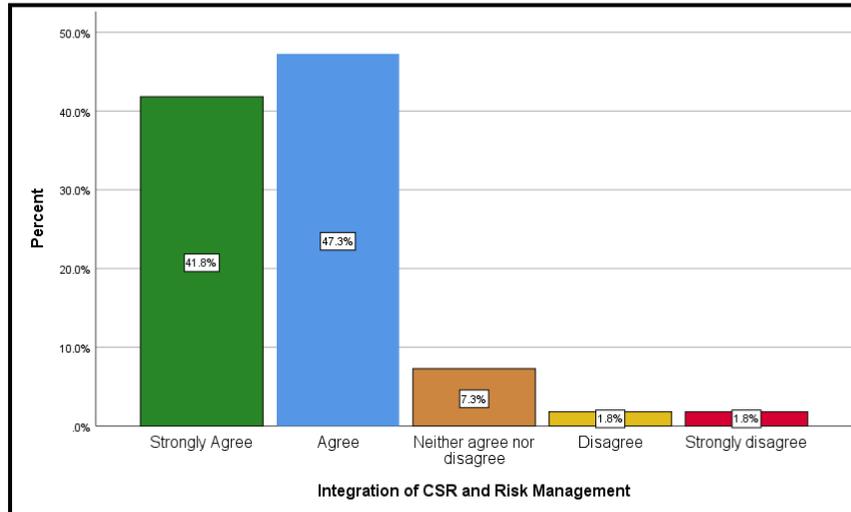
Overall, 44% of the respondents agreed that CSR positively impacts on the attitude of their company's risk management, while 21.8% disagreed, as illustrated in Figure 6-18.

**Figure 6.18: CSR Impact on Attitude**



The respondents were asked to rank whether CSR should be an integral component of their risk management and 89.1% of respondents agreed, while 3.6% disagreed, as illustrated in Figure 6-19.

**Figure 6.19: Integration of CSR and Risk Management**



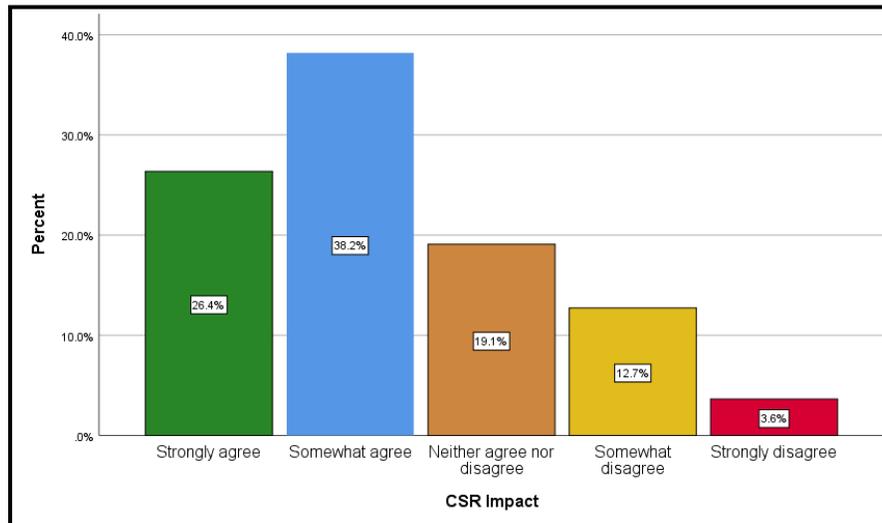
The next question focused on factors that could improve the integration of CSR and risk management. Figure 6-20 summarises the responses. The top three factors were “Implement your CSR initiatives in your overall strategy and risk management,” “Make sure senior management team buys into the programme,” and “Promote CSR as a driver for innovation and development in the organisation.”

**Figure 6.20: Factors that Promote CSR Integration and Risk Management**



When asked whether they agreed or not with the statement “My organisation’s CSR activities play a positive role in the management of our risks”, 64.6% of respondents agreed, while 16.3% disagreed, as illustrated in Figure 6-21.

**Figure 6.21: CSR has a Positive Impact on Risk Management**



This confirms that there is recognition of CSR’s role in risk management.

There was a strong association between understanding of CSR and having a well-defined risk management strategy,  $\chi^2 (4, N = 112) = 6.4, p < .01$ . Of all the respondents who described themselves as experts in CSR, over 69% stated that their company’s risk management strategy was well defined and updated on a regular basis, as illustrated in Table 6-14. This shows that most organisations in the extractives sector take risk management seriously and regularly review their risk management programs.

**Table 6.14: Crosstab of Risk Management Strategy Versus CSR Understanding**

			CSR understanding			Total
			Expert	Some	None	
Risk management strategy	Well defined and updated on regular basis.	Count	48	19	2	69
		% within CSR understanding	69.6%	47.5%	66.7%	61.6%
	Well defined but not updated on a regular basis	Count	11	12	0	23
		% within CSR understanding	15.9%	30.0%	0.0%	20.5%
	Neither well defined nor updated on a regular basis	Count	10	9	1	20
		% within CSR understanding	14.5%	22.5%	33.3%	17.9%
Total		Count	69	40	3	112
		% within CSR understanding	100.0%	100.0%	100.0%	100.0%

Overall, 65% of the respondents confirmed that they had a CSR program and their risk management strategy was well defined and updated regularly, as illustrated in Table 6-15. This may also explain the similar results when regarding the maturity of the risk management strategy and having a CSR program.

**Table 6.15: Crosstab of Risk Management Strategy Versus CSR Program**

			CSR program			Total
			Yes	No	Not sure	
Risk management strategy	Well defined and updated on regular basis.	Count	64	1	4	69
		% within CSR program	65.3%	10.0%	100.0%	61.6%
	Well defined but not updated on a regular basis	Count	21	2	0	23
		% within CSR program	21.4%	20.0%	0.0%	20.5%
	Neither well defined nor updated on a regular basis	Count	13	7	0	20
		% within CSR program	13.3%	70.0%	0.0%	17.9%
Total		Count	98	10	4	112
		% within CSR program	100.0%	100.0%	100.0%	100.0%

The results confirmed that risk function expertise at the operational level is associated with CSR understanding. Of the respondents who identified as CSR experts, 75% agreed that their organisations were effective in risk function at the

operational level. However, there was no association between an organisation's effectiveness in risk function expertise and CSR understanding.

To determine if there was a statistically significant association between the impacts of CSR on risk-taking attitude and whether integration of CSR and risk management is a long-term investment for the company. Fisher's Exact Test was performed in SPSS as it is the appropriate tool for testing non-random associations between two categorical variables (Kim, 2017). The results showed a significant relationship ( $P = 0.033$ ) between the impact of a CSR risk-taking attitude and seeing value in the integration of CSR and risk management. Although there was no significant relationship between CSR and overall risk expertise in the company, there was a significant relationship ( $P = 0.011$ ) between having a CSR program and installing and maintaining risk awareness culture. There was also a significant relationship ( $P = 0.002$ ) between having a CSR program and the company having effective internal controls. There was also a significant relationship ( $P = 0.016$ ) between having a CSR program and the company having risk function expertise at the operational level.

When asked what factors could support the integration of CSR and risk management, respondents confirmed that "Implement your CSR initiatives in your overall strategy and risk management" (66%) was the most important factor supporting the integration of CSR in risk management in an organisation. This was followed by "Communicate to the relevant stakeholders and celebrate the result of CSR efforts" (59.1%), and "Implement your CSR initiatives in your overall strategy and risk management" and "Clearly outline a relevant CSR philosophy into the organisational philosophy/vision" (59%), which supports the integration of CSR in risk management in an organisation. Workforce education was a key factor in improving the integration of CSR and risk management.

Another factor that enhances the integration of CSR and risk management was collaboration with peers on partnerships and moving beyond CSR to a strategic

ESG approach that added value to an organisation's enterprise. This is supported by an extract from one of the interviews on the connection of CSR to remuneration: "Should link ESG to ELT remuneration KPIs [Key Performance Indicators] but using mining specific assurance of technical and operational risks. Generic ESG is useless in mining to prevent value destruction" (Respondent 69). Resourcing and time as well as financial resourcing were other aspects identified as barriers to CSR and risk management integration.

A crosstab of the impact of CSR and management systems that have been adopted by the respective companies is illustrated in Table 6-16. This shows that the respondents who agreed (56.5%) that CSR has a positive impact on risk management also agreed that their organisation was effective in overall risk expertise.

**Table 6.16: Crosstab of CSR Impact on Risk Management Against Overall Risk Appetite**

			Overall risk expertise					Total
			Strongly disagree	Somewhat disagree	Neither agree/ disagree	Somewhat agree	Strongly agree	
CSR Impact	Strongly agree	Count	3	1	2	6	17	29
		% within CSR impact	10.3%	3.4%	6.9%	20.7%	58.6%	100.0%
		% of Total	2.7%	0.9%	1.8%	5.5%	15.5%	26.4%
	Somewhat agree	Count	0	1	2	22	17	42
		% within CSR impact	0.0%	2.4%	4.8%	52.4%	40.5%	100.0%
		% of Total	0.0%	0.9%	1.8%	20.0%	15.5%	38.2%
	Neither agree nor disagree	Count	1	5	4	8	3	21
		% within CSR impact	4.8%	23.8%	19.0%	38.1%	14.3%	100.0%
		% of Total	0.9%	4.5%	3.6%	7.3%	2.7%	19.1%
	Somewhat disagree	Count	0	5	2	6	1	14
		% within CSR impact	0.0%	35.7%	14.3%	42.9%	7.1%	100.0%
		% of Total	0.0%	4.5%	1.8%	5.5%	0.9%	12.7%
	Strongly disagree	Count	0	0	0	2	2	4
		% within CSR impact	0.0%	0.0%	0.0%	50.0%	50.0%	100.0%
		% of Total	0.0%	0.0%	0.0%	1.8%	1.8%	3.6%
Total		Count	4	12	10	44	40	110
		% within CSR impact	3.6%	10.9%	9.1%	40.0%	36.4%	100.0%
		% of Total	3.6%	10.9%	9.1%	40.0%	36.4%	100.0%

Some participants stated that it is harder to identify risk without understanding the impacts first; risks emerge from the impacts (Respondent 103). However, not everyone agreed that integration was important: “in certain organisations it is not good practice to integrate CSR and risk management. We need to focus in both areas rather than dilute by combining these two areas” (Respondent 42). The term CSR was also found to be outdated by some respondents: “Risk cannot be identified without understanding impacts first. Risks emerge from impacts. So, I disagree with how some of these questions are worded and think CSR is an

outdated term” (Respondent 103); “Move beyond CSR to a strategic ESG approach” (Respondent 39); and “Money talks make it a KPI” (Respondent 50). Awareness was also important: “work force education was key in the success of CSR” (Respondent 13).

In summary, it can be concluded from this section that the respondents confirmed that CSR has a positive impact in managing all the major risk groups in their company’s risk management process. The respondents also commented that risk management processes have an impact on CSR. Over half of the respondents agreed that CSR was an integral part of their company’s risk management system. The results also confirm that CSR positively impacts on the risk-taking attitude in their company. The majority of respondents agreed with the statement that CSR should be an integral component of the risk management approach, and that their organisation’s CSR activities play a positive role in managing their company’s risks. The qualitative phase interviews provided the platform to gain further insight into the role of CSR in risk management. The implications of the findings are discussed in Chapter 8.

## **6.5 Identified Areas for Further Research**

The survey was an important process, designed to provide insights into the topic of the thesis and identify areas for further study via interviews, as discussed in Chapter 5. The quantitative analysis was intended to determine the control variables, establish the presence of CSR and benchmark participants’ understanding of CSR by probing its nature and characteristics in the extractive sector. The survey findings demonstrated that on its own, the survey, was not sufficient to answer the question of CSR’s role in risk management (e.g., the nature and characteristics of CSR in extractives industry in Australia) justifying the MMR approach. Therefore, the survey identified several themes and gaps to be examined via interviews in Phase 2 of the research. The themes and gaps identified include:

- What CSR approaches have the companies implemented?

- How does CSR align with the business and organisational objectives?
- Why is reputational risk ranked lowest in the types of risk affecting the companies?
- How does management engage the board during strategy setting?
- How do the companies choose their risk management approaches?
- What are the strengths and weaknesses of their risk management approach?
- How do they assess the overall effectiveness of their risk controls?
- Do they think CSR has a positive impact on risk management and why?
- How does CSR impact risk management?

Secondly, the survey deliberately left out key terminology such as social value, strategic CSR, and three lines of defence to see if these would be mentioned or raised in the free text options. It was interesting to note that all these terms naturally emerged from the conversations in Phase 2 interviews, thus suggesting the maturity and depth of the CSR and risk management.

The survey achieved its intended purpose by providing a sound basis for MMR methodology to connect the integration of both the qualitative and quantitative data at the intermediate stage as suggested by Feters et al., (2013). It also went on to support further integration at the interpretation stage as suggested by Guetterman et al., (2015), thus providing valuable information to aid understanding of the role of CSR in risk management. This was achieved by providing preliminary findings as a basis for further interrogation of the topic through qualitative investigation in the form of interviews.

## **6.6 Conclusion: Summary of Key Findings**

The purpose of this chapter was to present the survey data results as they relate to the four research questions. The survey data results will be extended in Chapter 7 and reflected upon in Chapter 8. The conclusions were presented at the end of each section and the key research findings for each research question are summarised as follows:

1. RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?

A total of 112 respondents from 73 companies in the extractives industry in Australia completed the survey questions on the role of CSR in risk management. The majority (87.5%) of the respondents stated that their companies had CSR programs, whereas 12.5% said they did not have or were not sure. Over 50% rated themselves as experts in CSR, 40% rated themselves as having some understanding of CSR, and only 6% stated that they had no understanding. The survey findings indicate that the state of CSR in the resources sector in Australia supports further qualitative investigation. This provides a basis for further integration to understand the preliminary findings and gain more insights on the nature of CSR in the resources sector in Australia. Key areas for further interrogation in Phase 2 of this thesis include gaining an understanding of the CSR approaches the companies had implemented; and how CSR is implemented and managed.

2. RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?

The respondents were asked to rank their top three benefits from among a list of benefits derived from the literature review. The top three benefits were improving organisational reputation and brand loyalty; supporting organisational growth; and greater attraction and retention of talented staff. The top CSR driver was to gain an SLO, followed by being seen to be socially and environmentally responsible and integrating ethics into company operations. The top CSR barriers were financial constraints, followed by poor understanding of the organisational benefits of CSR and inadequate training and skills. Several respondents noted no barriers to

CSR in their companies. The most commonly used reporting standard was ISO 14001 (13.9%), followed by GRI (7.9%). Key areas for further interrogation in Phase 2 of this thesis include how CSR aligns with business and organisational objectives, and why reputational risk was ranked lowest in the types of risk affecting the companies.

3. RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?

From the survey results, 97.3% of the respondents agreed that risk management is important to their company. Operational risk is the top risk facing the extractives sector industry in Australia. However, the extractives industry also faces financial, strategic, compliance, and reputational risks. The top three risk management benefits were that it identifies threats and opportunities that are not apparent to the company; ensures regulatory compliance through effective coordination of regulatory and compliance matters; and reduces the number, type, and severity of adverse events, including third party related incidents. Over half (61.6%) of respondents stated that their company's risk management strategy was well defined. The results suggest that internal control is quite well established in some companies, thus providing assurance to the risk management processes. Key areas for further integration in Phase 2 of this thesis include how management engages the board during strategy setting; why the companies chose their risk management approaches; what are the strengths and weaknesses of their risk management approach; and how do they assess the overall effectiveness of their overall risk controls.

4. RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

Overall, 64.6% of the respondents confirmed that CSR has a positive impact on their company's risk management. As to how CSR impacts risk management, 55.5 % of the respondents agreed that CSR was an integral part of the risk management system. CSR was seen to play a positive role in managing all the major risk groups. Almost two-thirds (64.6%) of the respondents agreed that their organisation's CSR activities play a positive role in managing their company's risks. Over half (50.1%) of the respondents agreed that CSR positively impacts on the risk-taking attitude in their company. Most (89.1%) of respondents agreed that CSR should be an integral component of the risk management approach. However, it was difficult to know what specific role CSR plays and the qualitative phase interviews provided the platform to gain insight into the role of CSR in risk management. Therefore, the key areas for further interrogation in Phase 2 of this thesis include understanding whether respondents think CSR has a positive impact on risk management and why, and how they think CSR impacts risk management.

The next chapter continues with an analysis focused on the qualitative data. The key issues for further investigation arising from the survey noted above and to be investigated further through the interviews in Phase 2 in Chapter 7 are summarised in Section 6.5. Furthermore, the interviews follow up on the themes and gaps that emerged from the survey findings, as described in Section 6.5, as well as expanding on those findings to address the research questions of this thesis.

## **Chapter 7 Phase 2: Qualitative Data Analysis – Interviews**

### **7.1 Introduction**

The previous chapter analysed the online survey data (Phase 1) and presented the descriptive and statistical results from the quantitative data. This chapter presents the themes generated from the content analysis of the interview data (Phase 2), which was managed using NVivo12 software. The chapter structure is as follows: Section 7.2 provides the rationale for the interviews and interviewee selection. Section 7.3 describes the development of the interview analysis themes and reliability test. Section 7.4 presents the themes in detail following the research questions' structure. Section 7.5 concludes the chapter by summarising the findings.

### **7.2 Rationale for Interviews: Augmentation**

To build on the online survey (Phase 1) of this MMR study, qualitative interviews (Phase 2) were used to obtain perceptions and experiences concerning the role of CSR in risk management in the extractives industry in Australia while elaborating on the themes generated from the online survey results, as summarised in Section 6.6. The goal was to probe further into the role CSR plays in risk management through narrative descriptions. In total, 54 survey respondents self-selected to participate in a 45- to 90-minute interview, to discuss in more detail the role of CSR in risk management. This is nearly 50% of the survey respondents indicated a huge interest in participating in this study into the role of CSR in risk management.

Of the 54 respondents who self-selected to participate in Phase 2, 48 (81.5%) provided contact information sufficient to facilitate contact through either a valid email address, telephone number, or both. Of those 48 participants, 10 interviews were conducted and form the basis for the findings reported in this chapter of the study into the role of CSR in risk management. The 10 interviewees were selected via purposive sampling (Barratt et al. 2015). The

selected participants ranged across the organisational hierarchical structures from non-executive directors and executive directors to managers and specialists (Appendix 6). Ten interviews (N = 10) were conducted, recorded, and transcribed with participants selected from Phase 1 representing mining (n = 4), oil and gas (n = 4), and contractors/service providers to those sectors (n = 2). The 10 interviews were found to provide sufficient saturation (Glaser & Strauss, 1967) while striking a balance between the mining and oil and gas sectors, and between operators and service providers.

Saturation was achieved when adding more participants to the qualitative phase did not result in any substantive perspectives or information on the role of CSR in risk management (Glaser & Strauss, 1967; Saunders et al., 2018). The rationale for the interviews was to follow up on the themes and gaps that emerged from the survey findings described in Section 6.5 as well as expand on the survey findings to address the research questions of this thesis. The interview questions were developed from a preliminary analysis of the survey findings in relation to the research questions and objectives. The interview questions were framed to ask one question at a time to elicit the story and they avoided closed and leading questions.

The researcher acknowledges that CSR and risk practitioners, as with many executive and senior leaders in organisations today, are time-constrained (van Marrewijk, 2003) and the promise to keep to a 45- to 90-minute period was reaffirmed at the outset when the interview was scheduled. The typical interview was conducted within the 60-minute window, which was an important aspect in maintaining the credibility of the study by staying within the promised time range. Of the 10 interviews, six were telephone interviews and four were face-to-face interviews, and they all followed the interview questions in Appendix 5.

### *7.2.1 Development of Interview Questions*

As discussed in the previous section, the interview questions were developed as a follow-up to the survey questions to close the gaps in the survey. The interview questions were piloted through two interviews with industry leaders who had participated in the survey, and these were integrated as part of the total qualitative data-gathering process. One pilot interview was conducted by telephone and the other one face to face to test both methods and the equipment such as the recording equipment. The 2 pilot interviews were included as part of the 10 interviews.

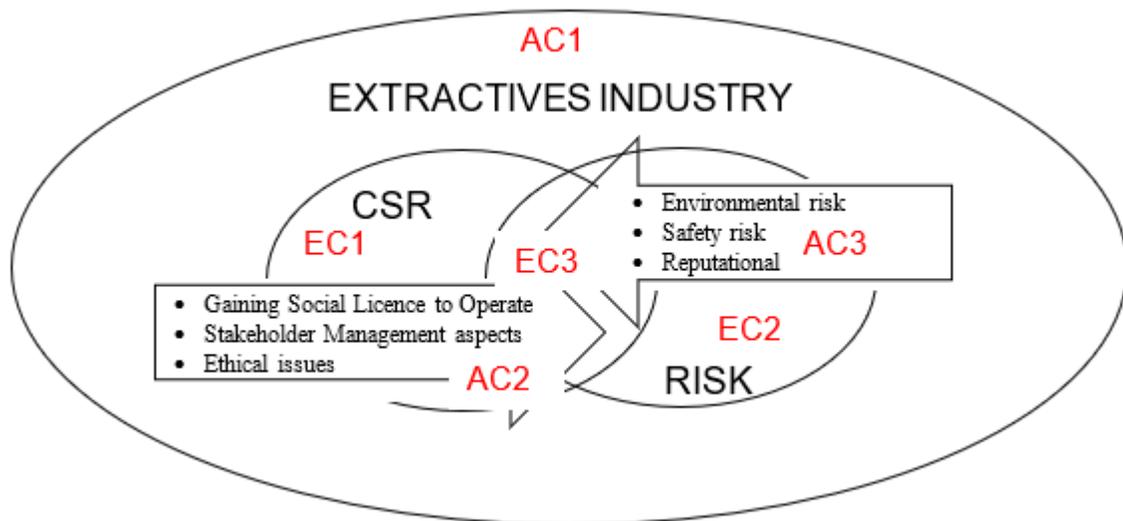
### **7.3 Interview Analysis Themes**

Interviews are used as a way to gain an understanding of the interviewee's experience (Silverman, 2013) and knowledge (Qu & Dumay, 2011). The researcher used some a priori codes from the literature that were guided by the main research questions: RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?; RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?; RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?; and RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

Augmenting literature review and working with the original conceptual model illustrated in Figure 1-1 which considered the potential symbiotic relationship that exists between CSR and risk management informed the development of the codes and themes. Figure 1-1 illustrates the relationship between CSR, risk management, and the extractives industry and three examples in each arrow merely demonstrate areas where interactions have been noted in the literature

(e.g., Jain et al., 2011; Louche et al., 2017; Lu et al., 2020, Young & Marais, 2012). Consequently, the researcher remained responsive to new (emergent) or open codes, as illustrated in the conceptual model in Figure 7-1. Figure 7.1 therefore is a progression from Figure 1.1 demonstrating the development of the codes and themes. The codes (in red) are a priori codes (AC) and emergent codes (EC) as illustrated in Figure 7-1. AC is the code that emerged from the literature review while EC is the code that emerged from the data. These codes and themes from the literature review and interviews are summarised in Table 7-1

**Figure 7.1: Research Theme Model**



Note: AC = A priori Code and EC = Emergent Code

**Table 7.1: Codes and Themes from the Literature Survey and Interviews**

<b>Interview Questions</b>	<b>Codes</b>	<b>Themes</b>	<b>A priori (AP) Or Emergent (E)</b>	<b>Supporting literature</b>
1 & 2	CSR practices over time SLO to social value	1. CSR has evolved from ad hoc philanthropy to strategic intent.	AP	Carroll, 2010; Coombs and Holladay, 2011 Hogarth et al., 2018; Porter & Kramer, 2006. Schwartz and Carroll 2003
		2. SLO has evolved into social value.	E	Cantrell et al., 2015
3, 4 & 5	CSFs, Stakeholder/Community participation CSR motivation and sponsors	3. Strategic alliances are important for CSR success.	AP	Brueckner, 2021; Carroll & Shabana, 2010; Matten & Moon, 2008; van Marrewijk, 2003
		4. CSR is influenced by leader values and strategic intent.	AP	Hemingway and Maclagan (2004); Tang et al. (2015); Elaine (2017); (Helfaya & Moussa, 2017)
6 & 7	Risk management CSFs	5. Board involvement is key in managing risk.	AP	(Baxt, 2012; Elaine (2017; Tricker, 2015) (Helfaya & Moussa, 2017)
7, 8; 9, 10, 11 & 12	Risk management approaches and implementation – Three lines of defence, ERM	6. Holistic and structured approach to risk management important.	E	Frederiksen, 2018; Story & Price, 2006; Rogers & Ethridge, 2013
13 & 14	CSR impact Quantifying Communication	7. CSR plays a positive role in risk management.	E	Frederiksen, 2018; Story & Price, 2006; Dobrea 2012
		8. Quantifying and optimally communicating the benefits of CSR in risk management supports the integration of CSR and risk management.	AP	Burke & Logsdon, 1996; Lim & Greenwood, 2017
15	Value/ benefits Strategy CSR/Risk Conflict	9. CSR is driving innovation in risk management.	E	Rexhepi et al., 2013; Ciocoiu & Mosoia, 2016; Ratajczak & Szutowski, 2016
		10. A clear strategy is key for the success of CSR and risk management programs.	AP	Basu & Palazzo, 2008; Cantrell et al., 2015; Porter & Kramer, 2006
		11. There is conflict between CSR and risk management.	E	Jain et al., 2011; Keinert, 2008

### 7.3.1 Theme Development: Content Analysis

The content analysis started with familiarisation with the content of the 10 interviews by the researcher. The codes and categories of the analysis, such as CSR, risk, strategic, and environmental, were then defined and developed, followed by the setting of the coding rules; for example, words such as biodiversity, pollution, and GHG were coded to the environmental category. This was completed in line with the research questions, as illustrated in Table 7-2.

**Table 7.2: Main Elements in Telling the Story (Development of Theme 7)**

<b>Step</b>	<b><i>RQ4: What is the impact of CSR in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?</i></b>
Step 1: Familiarisation	Reading interview transcripts and listening to interview recordings and identifying keywords and concepts for Step 2
Step 2 Coding	Yes; No; Positive; Negative; Don't Know; Not sure; Absolutely; Neutral; Some role
Step 3 Generating themes	CSR has a positive impact; CSR has no impact; CSR has a role
Step 4 Reviewing themes	Reviewed the coding and developed theme in step 5
Step 5 Defining and naming the themes	Theme developed and named "CSR plays a positive role in risk management"
Step 6 Writing Up	Write up Theme 1 with supporting quotes

This step was completed, and the results are documented in Section 7.4.

### 7.3.2 Participant Role

For those participants who held more than one role in different companies, it was important for them to be clear about which role they were representing at certain points during the interviews. This was important because the nature of the responses around CSR varies for people in different roles for different companies, as evidenced in the survey. One example was Participant A, who is a director of two different companies of different sizes as well as having had a long career as an executive of a major company. If their CSR responses covered both

roles instead of just one, this could result in inaccurate responses. As such, the participants who had multiple roles in different organisations were asked to select and stick to one role.

### *7.3.3 Inter-Rater Reliability Check*

To determine the inter-rater reliability (IRR), after establishing the initial codes, five interviews were coded, and the initial IRR was calculated for the interviews by requesting a fellow Ph.D. student complete an IRR. The IRR was found to be 60–80% for this initial coding due to the high number (5) of interviews coded. The disagreement was due to varying interpretations of the coding. Before coding the remaining interviews, the researcher re-examined the codes to narrow the definitions of some codes and add new codes with specific definitions to ensure consistency. This process enabled coding agreement on the interview data and consistently obtained an IRR of 80–90%. This was higher than the acceptable IRR of 0.61 (61%) (McDonald et al., 2019). Once the IRR was consistently at least 80% on 95% of the codes, the researcher coded the rest of the interview data (n = 5).

## **7.4 Findings**

This section presents the themes generated from the content analysis of the qualitative interviews using NVivo12 software. The majority (60%) of interviews were conducted via telephone, while four (40%) interviews were conducted in person. The interviews were conducted in accordance with a structured interview guide that was developed to support and further explore the online survey results (Appendix 3). The structured interview guide (Appendix 5) was used in all interviews, and before the interview, a copy was sent to all participants for review along with a consent form. For the four in-person interviews, the consent form was given to the participant at the time of the interview. All interviews were recorded, and the signed consent forms were documented and safely stored. The interview guide was divided into four main sections, covering the four research questions:

- RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?
- RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for the successful implementation of CSR in the extractives industry that support CSR uptake and implementation?
- RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?
- RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

From the content analysis of the interview data, several themes became evident, as described in Section 7.3.1, as they confirmed or expanded on the a priori codes or emergent codes from the online survey findings. It is worth noting that the themes are interrelated, as illustrated in the framework in Figure 8-1. Table 7-3 is an example of how the research themes were developed. The themes also listed in Table 7-4 are discussed in the following section in line with the research questions.

**Table 7.3: Worked Example from Research Question, Interview Question, and Codes to Theme Development**

<b><i>Research question</i></b>	<b><i>Interview question</i></b>	<b><i>Codes</i></b>	<b><i>Theme</i></b>
RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?	Does CSR play a role in your company's risk management system	Yes; No; Positive; Negative; Don't Know; Not sure; Absolutely; Neutral	CSR Plays a positive role in risk management

From this process, the themes detailed in Table 7-4 were generated from the codes developed through the analysis of the interview data.

**Table 7.4: Research Questions and Themes**

<b>Research question</b>	<b>Research Objective</b>	<b>Themes</b>
RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?	<i>RO1: Determine the nature of CSR in the extractives industry in Australia to develop mechanisms that enhance value to business by leveraging the positive aspects</i>	1.CSR has evolved from an ad hoc philanthropy to strategic intent. 2.SLO has evolved to social value.
RQ2: What are the Critical Success Factors (benefits, barriers and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?	<i>RO2: Identify and evaluate the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia to support CSR uptake and implementation.</i>	3.CSR is influenced by leader values. 4.Strategic alliances are important for CSR success.
RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?	<i>RO3: Determine the nature of risk management and the factors that affect risk management in the extractives industry in Australia</i>	5.Holistic and structured approach to risk management is important. 6.Board involvement is key in managing risk.
RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?	<i>RO4: Establish a holistic understanding of the relationship between CSR and risk management in the extractives industry in Australia and determine the impact CSR has on risk management in this industry. This will contribute to practice and lead to targeted responses in the management of risk.</i>	7.CSR plays a positive role in risk management. 8.Quantifying and optimally communicating the benefits of CSR in risk management supports the integration of CSR and risk management. 9.CSR is driving innovation in risk management. 10.A clear strategy is key to the success of CSR and risk management programs. 11.There are areas of conflict between CSR and risk

#### *7.4.1 CSR in the Extractives Industry in Australia*

The first research question (RQ1) of the thesis was to determine the state and character of CSR in the extractives industry in Australia to develop mechanisms that enhance value to business by leveraging the positive aspects of CSR in the extractives sector.

#### **Major Theme 1: CSR in the extractives industry has evolved from an ad hoc philanthropy approach to strategic intent**

There was a wide-ranging understanding of CSR in the extractives industry by the participants, which corroborated the findings from the survey. All participants made the connection between CSR and responsible/ethical business practices and delivering the business's social contract to its stakeholders. As Participant A, an oil and gas executive, said, the reason for CSR is that "in order to operate effectively in the community particularly in the area we are carrying out our operations, we need a licence to operate, acceptance from the community that they are benefiting and not being disadvantaged by our operations."

This was supported by Participant C, who works for an industry association, in that they support the organisations they work with to operate "in an ethical and appropriate way and we have to make sure that we are undertaking our work in a way which society, as a whole will see as being appropriate". Participant C acknowledged that CSR supports managing challenges faced by the extractives industry, "which can be a little bit challenging when you work in extractive industry in the current environment, where a lot of people see by the nature of the industries we work in as not necessarily complying with their views of society conformance." Furthermore, Participant E who leads risk management for a mining company supported this theme by adding that "it's about the way we say to ourselves as a company we have an obligation to the communities that we serve."

Corroborating the survey findings, there was a shared view among the majority of the participants regarding the strategic aspect of CSR in addressing business impacts, with Participant G who leads environment and sustainability for a mining company saying that “having clear strategies and ensuring that those strategies are communicated in a transparent manner to local stakeholders, where you are operating, understanding what the nature of your business impacts are across a broad suite of indicators.” The strategic business impacts of CSR as voiced by the participants have been grouped into four major groups: environmental, regional commitment, engagement issues, and tax/budgetary, as illustrated in Table 7-5. The top impacts were environmental, regional commitment, and engagement issues to gain SLO as well as fending off government pressure and demands such as regulatory or tax issues.

**Table 7.5: Business Impacts of CSR**

<i>Topic</i>	<i>Examples</i>
Environmental	Social, environmental, safety, community, energy, and sustainability, water stewardship, air, soil and water pollution, GHG emissions (Scope 1, 2 and 3), ESG performance, dust mitigation, land management, biodiversity, rehabilitation, closure, land use, conflict, climate change (adaptation)
Regional commitment	Local content, residential workforce, job security, apprenticeships, local versus FIFO jobs, automation impacts, community development (local business sustainability, housing quality, impact on Indigenous communities)
Engagement issues	Transparency, authentic and honest communication including access to future plans, community education, community engagement and support
Tax/budgetary	Budget repair including risk of additional government demands

A SLO in its different forms of legitimacy, credibility, and trust – for example, community acceptance of mining activities and access to competent labour – was one of the motivations noted by the participants. Participant B, a manager responsible for CSR, Sustainability, External and Indigenous Relations in a mining company noted that:

We did a perception stakeholder study around 18 months ago, and we got a very high social licence score based on a global benchmarking approach. It was high support from the community,

given that the key motivator is to ensure that we have a social licence to continue to operate for the future.

Participants made some observations on CSR motivation, including that business does not operate in a vacuum, as one participant explained “in a sense that we are part of the community” (Participant A, an oil and gas executive). Participant A went on to say:

There is a sense, in terms of companies removing resources from the ground, that this is disturbance and disruption to the community and those communities need to feel that they are benefiting from the activities; and we owe it to these communities that we operate in to be part of them; and to be seen to be part of them rather than an outside intrusion.

As such, participants saw SLO as a risk management strategy to manage different aspects of risk including reputation, land access, government approval, community approval, and talent source/workforce resourcing. Participant B a senior manager for a mid-tier mining company observed that “the key motivator is to ensure that we have a social licence to continue to operate for the future, and yes it did deliver.” Other motivations were noted by the participants; for example: “because we work in an industry that is exposed to social and political pressures that have a significant constraint on our ability to do business” (Participant D, an executive for a mid-tier mining company). This was supported by Participant B, who noted that it is:

Very important for us, given we are physically located within communities, and we need to ensure that we are being good labour and good citizen within those communities, and we are reliant on the support of those communities. Not just accepted but also active support from those communities to ensure we can continue to operate and grow in the future.

CSR maturity varied from ad hoc processes that were unrelated to clearly defined strategic CSR intent where there is logical sequencing to the CSR activities and connection to organisational performance. Most of the participants were clear that CSR is now seen as an important aspect of organisational activities in the extractives sector, which echoed the findings from the survey. The participants made observations that CSR has evolved from ad hoc practices to strategically aligned with organisational strategy, with one participant stating: “it makes all good business sense for us to have a strategy in the CSR area to deliver the greatest business flexibility and support for operations and growth” (Participant D, an executive for a mid-tier mining company). Participant F, a senior manager for a top-tier oil and gas company went further to say, “we have got the reconciliation action plan to drive some if not all of our CSR activities.”

Other participants observed that CSR motivation has also driven CSR evolution: “our motivation for this not to be ad hoc, not to be whoever is in the chair their favourite charity or their favourite thing gets focus. It has to be aligned to the core foundational pillars instead of being ad hoc” (Participant F, a senior manager for a top-tier oil and gas company). Most participants confirmed that CSR was meeting its intended purpose and has been effective in managing community relations and pressure groups as a vehicle to “show the community that you are not down there raping and pillaging them, that you can explain your activities explain yourselves why you are conducting these activities in a broader corporate and social sense” (Participant A an oil and gas executive).

The success of CSR is also dependent on the organisational commitment to do only the minimum or as much as possible, as Participant C noted:

You have to have everybody to believe along the same policies. There will always be slight differences in interpretations and you will have some people who will interpret to the letter of the law or regulations and it will be you got have 10% of local content and they will just have 10 or maybe 10.0001 just to give them a little bit room to move and

then you have others who will say you got to have 10% or more and they aggressively go for 10% or more out of it as long as it does not compromise the commercial outcome of whatever they are doing.

As such, the main handicap of ad hoc CSR implementation is that CSR is a voluntary program, hence firms can determine the extent to which they adopt CSR practices. This results in varying outcomes and also leads to claims of greenwashing (Visser et al., 2010). For some organisations, particularly smaller ones with limited access to resources, CSR is used as a tool to manage client expectation risks. This leads to participating “more from a corporate participation not so much a social participation” (Participant I, manager for contracting company to oil and gas).

Most participants noted that the benefits of CSR are now realised because CSR implementation has moved from ad hoc to a structured approach and is integrated into the whole organisational strategy, as summarised by Participant D, an executive for a mid-tier mining company:

Developed corporate social responsibility strategy and capability in the business is a key part of our strategy to deliver the best outcomes as we can; and that drives how we invest funds and how we allocate resources and our investment in both social development and reputation and relationship building.

Overall, this theme addresses RQ1: “What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?” by demonstrating that CSR has evolved from ad hoc practices to a structured and strategic approach. It outlines the key findings that the CSR approaches and activities implemented in the extractives sector in Australia are planned and are directly linked to organisational objectives. Some of the CSR practices implemented by the extractives industry are land access, community relations, stakeholder management, SLO, environmental management (e.g., biodiversity, water

management), community investment, and local employment and procurement, including regional and Indigenous employment and procurement. As such, it can be concluded that CSR in the extractives industry has evolved from an ad hoc philanthropy approach to strategic intent.

### **Major Theme 2: CSR and SLO has evolved to social value**

Organisations are increasingly considering their activities holistically and consider the wider economic, social, and environmental effects of their action. “Social value” serves as an umbrella term for the broader effects, and organisations that make a conscious effort to ensure that these effects are positive can be seen as adding social value by contributing to the long-term well-being and resilience of individuals, communities, and society in general. An example of social value is the UNSDGs, which are, in effect, a social value charter for the planet. However, results show low uptake of UNSDG despite their intent being discussed by the participants.

SLO, or simply social licence, refers to the ongoing acceptance of a company’s or industry’s standard business practices and operating procedures by its employees, stakeholders, and the public. Companies “do not create social value in a vacuum and unlocking social value is a process of co-creation between society, stakeholders, and company leadership” (Kiser, 2017, p. 5). Companies can create social value by considering the economic, environmental, and social aspects of their impact as well as how to increase well-being and development.

Although some participants did not mention social value directly, the descriptions of their CSR programs reflected that their programs were now evolving towards social value or were already operating in the social value sphere, for example, the holistic consideration of the impacts of mining activities and their quantification on the society. A key example is BHP’s water stewardship program, which is a response to the importance of water for its operations and society. This focus on the common good of society demonstrates the evolution of

CSR to social value. However, this is also driven by stakeholder pressure for example regulators communities, and shareholders. Another aspect highlighted by all the participants is the support for Indigenous affairs under their social value program.

There was a general understanding by all the participants that SLO refers to the level of acceptance or approval by local communities and stakeholders: “in order to operate effectively in the community particularly in the area we are carrying out our operations we need a licence to operate, acceptance from the community that they are benefiting and not being disadvantaged by our operations” (Participant A, an oil and gas executive). Participant A went further to acknowledge the essence of social value:

While extractives industry companies have largely been successful in achieving and communicating the benefits, they bring at a local level, in terms of royalties, local community investment, jobs and even in environmental credentials, they have not achieved SLO because it is no longer granted by local communities only. SLO is now a function of a larger powerful group of largely urban dwelling broader society, enabled by technology, especially social media.

The key to social value was the recognition that it can play a dual purpose; manage risk (SLO) while creating opportunity (social value), which was expressed by some as “licence to value.” Participants noted that they are more strategic in their approach by reducing reliance on social investment while leveraging and recognising the power to amplify the social value created by strategic social investment. Corroborating the survey findings on workforce and community care is the desire by organisations to ensure the safety and well-being of their employees, as suggested by one participant:

It's fundamentally about operating safely, so when someone comes to work, we want them to go home safe and ensure that we haven't done something in any way that could be life changing for that person or

their family as a result of them coming to work each and every day. (Participant G, who leads environment and sustainability for a mining company)

The participants identified the importance of understanding that social value is an enabler of shareholder value and not a competing or additional demand. All the participants mentioned the importance of leveraging and empowering employees as a key component of social value. Participant G, who leads environment and sustainability for a mining company went further to say:

But at the same time care for people has an external focus as well and so as I said we have a lot of assets, a lot of long-life assets, we are operating around a community, a very close community, so our refinery and smelter ... has residential housing abutting its refinery boundary fence, so we need to care for the people inside, but fundamentally we also need to care for people outside. Making sure our operations do not have any impact on those people around us, making sure the products that we produce don't have an impact on people. I can relate that value. (Participant G, who leads environment and sustainability for a mining company)

However, as noted above, there was also an acknowledgement by some participants that SLO has not been fully achieved. The main reason proffered was the failure to respond directly and appropriately to the concerns of all stakeholders. Participant A, an oil and gas executive cited the example of the issue of shale gas in NSW and Queensland, which was partly a result of failure to “articulate gas as an enabler of community economies, acknowledging climate change and demonstrating tangible efforts to reduce the impacts of climate change in both operations and product.” These shale gas problems should also be seen in the light of the difficulty to justify shale gas production according to the latest IPCC report, which calls for a cessation of new unconventional gas projects (IPCC, 2022).

In this process, participants acknowledged the expansion from the traditional CSR and SLO aspects to broader effects. Furthermore, organisations that make a conscious effort to ensure that these effects are positive can be seen as adding social value and contributing to the long-term well-being and resilience of individuals, communities, and society in general: “the United Nations Sustainable Development Goals are, in effect, a social value charter for the planet” (Participant A, an oil and gas executive). However, a key obstacle expressed by most participants was how to quantify or measure social value.

A key attribute of demonstrating social value and social impact is transparency. The participants voiced that transparency was an important aspect of the CSR programs based on the reputation mechanism. Key to this is how governance processes drive transparency policy that positively influences and drive a company’s CSR programs and activities. This includes disclosure of payments and contributions to national governments and, where appropriate, regional governments. Furthermore, Participant D, an executive for a mid-tier mining company said that in addition to disclosing social investment of any kind, “We disclose reports on grievances, reports on grievance management, number of grievances any non-compliances in environmental or social issues that we report back to authorities, we are involved and report on national level initiative for mining improvement, revenue transparency.”

Companies are actively engaging communities to support SLO. This also includes supporting and sponsoring local sports and community groups, providing employment, and funding improvement projects such as roads and health:

Doing community investment, community engagement, long-term sustainable community development initiatives, legacy projects that will continue to benefit the community beyond the life of the mine ... prioritise local employment and local procurement and regional and

Indigenous employment and procurement as well. (Participant B, a senior manager for a mid-tier mining company.)

Overall, this theme contributes to the research by answering RQ1: “What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?” by identifying the holistic and broader reach of CSR activities to benefit the organisation and the wider society. It also addresses RQ4: “What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?” by suggesting that SLOs transition to social value supports is a risk management strategy by the industry as it recognises the importance of the wider society. This has a connection to the other themes that discuss creating opportunity, thus driving organisational strategy by securing access to capital, resources, markets, and talent. However, it should also be noted that even where the integration of CSR in risk management occurs, this sometimes does not render CSR activities sufficient or meaningful from a community vantage point. The problem is that social value is claimed without being evidenced. Therefore, questions remain as to how claims of SLO evolution and CSR maturity would be judged externally. This is discussed in more detail in sections 7.4.4 and 8.4.4.

#### *7.4.2 Critical Success Factors*

The second research question (RQ2) was to identify the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry. CSFs support CSR uptake and implementation by obtaining an SLO, managing stakeholders, and applying ethical practices. Clear explanations were given to participants as part of the interviews to ensure they understood the difference between drivers and CSFs. Furthermore, the understanding was tested and confirmed as part of the three pilot interviews. The following major themes on the CSFs were compiled.

### **Major Theme 3: Strategic alliances are important for CSR success**

Stakeholder management appeared to be one of the main motivators for CSR. This corroborates the findings from the survey where one of the top benefits of CSR was enabling stakeholders to understand the organisation's true value, both its tangible and intangible assets, while stakeholder activism and pressure were one of the key drivers of CSR. All participants stated that stakeholder management is a key factor in managing company reputation as perceptions shape reality. A key failing of CSR was the failure to effectively manage stakeholders, as voiced by Participant B, a senior manager for a mid-tier mining company:

We do a lot of work internally to help people understand the stakeholders and their expectations, how to consider any impact that any decisions might have, or activities might have to try and prevent any incidents that have community impact and ensure that we are managing those really well and being very responsive and positive mentality on how we deal with it when it does happen.

One aspect that was lacking was integrating stakeholder engagement into strategic intent and consequently operations to produce a win-win situation. This was evidenced by a failure to acknowledge that strategic management of external interests requires a genuine commitment to engagement by the whole organisation, as voiced by Participant E, who leads HSEC and risk for a mining company:

The enablers would be having those established relationships and with our key stakeholders to identify who they are. We have resources in the business, for example we have gone through a process to identify the stakeholders and we gone through a process of identifying which of those stakeholders are the strategic stakeholders for each of our strategic stakeholders we have a defined relationship owner.

Understanding and assessing stakeholder engagement were key to successful CSR implementation. One method mentioned by the participants was the establishment of performance metrics so that the CSR program could be transparently evaluated. As noted by Participant B, a senior manager for a mid-tier mining company: “We will do stakeholder perception studies that we can get feedback to get action and improve the engagement and outcome.” More than three-quarters (8) of the participants stated that they undertake an evaluation of their stakeholder engagement. One of the tools used by the participants to evaluate stakeholder engagement was surveys; for example, stakeholder 360. However, a few (2) participants noted that despite having stakeholder engagement on paper, their companies did not have clearly defined performance metrics to measure this except through an annual survey. The two participants stated that a lack of assessment of stakeholder engagement compromises the performance of the CSR program.

Companies assess the impact of their CSR programs through stakeholder perception surveys. Participant B, a senior manager for a mid-tier mining company explained: “We did a perception stakeholder study around 18 months ago, and we got a very high social licence score based on a global benchmarking approach.” Others noted varying degrees of effectiveness depending on the issue, as Participant F noted: “in terms of say particular awareness and involvement in certain things, I would say yes by and large progress has been made and success has been made.” When asked who their key stakeholders were, most participants identified community stakeholders such as local government, landholders, shareholders, Indigenous communities, businesses, NGOs, near neighbours, regulators, employees, and the public. Participant B, a senior manager for a mid-tier mining company defined stakeholders as “society as a whole, in terms of attraction, retention and reputation and the media.” This reinforces the impact of CSR on risk management.

The issue of shareholders as stakeholders was raised as a potential conflict for CSR, social value, and stakeholder engagement, particularly with companies encouraging employees to buy shares and become employee/owners. As voiced by Participant J, a manager for a top-tier oil and gas company:

The employee as shareholder presents a problem if we then go by the Agency theory in which the CEO of the business is there to make money for the shareholders. However, as your business becomes larger and larger, your employees become shareholders and hence the employers of the CEO. As the CEO you are now there to make money for your shareholders/employees, this can be complicated when your employees live within the societies in which your business operates.

As such, this presents a dilemma when the shareholders who are employees are now determining the direction of the enterprise. Another issue noted by several participants was understanding, uptake, and use of technology such as social media in reaching out and addressing stakeholder concerns. Some participants stated that the bigger oil and gas companies in Australia have started to “use technology and partnerships with leading technology organisations such CSIRO [Commonwealth Scientific and Industrial Research Organisation], SciTech, etc. to raise their technology credentials and subsequently attract the younger members of workforce” (Participant A, an oil and gas executive). Some participants’ companies have implemented internal upskilling of their people to understand stakeholder requirements, as noted by Participant B, a senior manager for a mid-tier mining precious mineral mining company:

We do a lot of work internally to help people understand the stakeholders and their expectations, how to consider any impact that any decisions might have, or activities might have to try and prevent any incidents that have a community impact; and ensure that we are managing those well and being very responsive; and positive mentality on how we deal with it when it does happen.

One participant explained that CSR consists of two parts, what they referred to as the “practitioners” and “performance” views. As a practitioner, Participant A’s view of CSR was that it “has a relationship part and has a performance part, and you can loosely define those; the relationship part is the facilitating relationships with all stakeholders that your business requires to be the best business most successful business” and “the performance part is channelling those stakeholders’ expectations delivery through your operations performance or engagements.” Furthermore, Participant A, an oil and gas executive voiced that the relationship part is almost a separate science about maintaining relationships: “its relationship professionals who help the business to build and map out the business to build those enduring frameworks.”

Regulatory compliance was raised by 8 of the participants as an enabler of strategic alliances, particularly around safety, health, community, heritage, and local content issues. One participant noted that regulatory requirements play a role in CSR motivation: “in some cases it’s legislated, so it’s a requirement under law around procurement and around local content where so one side is you could say they do it because they have to do it” (Participant C, from a resource industry association). Another participant, from the service sector, noted that meeting contract requirements were a motivation for their organisation:

from my experience it is a portion of the tender. What you put in that tender if it was selected then is part of you being selected. They score it all so that would be part of it. If you did not do it that would probably almost be a breach of contract. (Participant I, a manager for a contracting company to oil and gas)

To summarise, the findings answer the second research question on CSFs by suggesting that strategic alliances are key to the success of CSR programs. This is reinforced by effective stakeholder management and engagement, which help the organisation to understand the impact and value of its CSR program. It

includes regulators, communities, schools, research groups, professional associations, and trade unions.

#### **Major Theme 4: CSR is influenced by leader values and strategic intent**

Most participants observed that CSR motivation was driven by leader values and interests. Participant F, a senior manager for a top tier oil and gas company explained that “a lot of it, there has been no strategy or purpose behind it. It was more driven by the particular hobbies and interests of the managers in the chair.” Participant H made the point about return on investment, that is, seeing the tangible benefits of CSR as a motivator for the leader. Therefore, the demonstration of the tangible benefits of CSR acts as an incentive to leaders and makes a powerful case for strategic CSR and its role in risk management, so that the benefits of CSR enterprise are clear and tangible. CSR needs to be integrated with organisational objectives to be successful. To sustain the integration of CSR with organisational objectives, “you have to have the people at the top who see it as integral and to continue having it embedded in the procedures and conversations” (Participant B, a senior manager for a mid-tier mining company)

For companies in the extractives sector, successful implementation of CSR is driven by the fact “that this is good business practice” (Participant C, from a resource industry association). This confirms an acceptance and appreciation of the role that CSR plays in business. Over three quarters (8) of the participants voiced that as well as sufficient resourcing, such as a dedicated department or team, trained employees, transport, and time to support the CSR activities, proper planning was also key to success. One participant (Participant A, an oil and gas executive) said that their company “had a dedicated employee at the manager level running the CSR activities for their drilling project in Queensland”. This resulted in the successful execution of the projects with limited disruptions from community and stakeholder issues.

Half (5) of the participants expressed that the success of CSR was also related to the endorsement of CSR by their senior leaders: “You actually need endorsement from the formal leadership; From the board, from the CEO, and from the executive” (Participant C, from a resource industry association). Participant C went on to state that this is even though the ideas may come from “people who are able to influence others within the organisation, either formal or informal leaders”; however, they also noted that CSR practices and ideas can be “initiated and really owned by people who are in relatively junior roles in business and those are the people often most exposed to the direct outcomes of the policies that want to put in place”.

Strategic intent, as in enterprise value proposition, was identified by some participants as having an impact on CSR direction. This is particularly so for organisations that may have a change in the top leadership, or the company decides to focus on a new market or product, or just decides to self-renew, and the new leader appreciates the value of CSR adoption and implementation. For example, organisational renewal is a factor that can result in changes in CSR appetite for organisations; as one participant from the service industry said, “in July my boss was made redundant and the CEO stepped down from the board so there were two major things that happened so that’s a big turning point of any organisation” (Participant I, a manager for contracting company), and this resulted in new leadership that was keen on CSR implementation.

Furthermore, Participant I, went on to say, “and along with that comes financial realignment, you know, readjustment in expenditure as well. There has been a whole review of the business.” Such a whole review of business direction due to leadership direction or the leader has no interest in CSR will result in CSR becoming a victim of resource or budgetary cuts. While positive leadership can be a driver of CSR motivation, the opposite can be true; as noted by Participant G, who leads environment and sustainability for a mining company, traditional

operators “see the social responsibility as a cost and it’s not a cost that contributes to the products that we are selling.”

In summary, the following are the key CSFs for CSR in response to RQ1. Leader values and strategic intent are important in determining CSR uptake and organisational direction. Furthermore, management involvement in CSR is very important as it set the vision of the organisation. This also allows resources to be dedicated to CSR. It is also important to quantify the benefits of CSR to the organisational objectives to enable leaders to appreciate and understand the benefits of CSR.

#### *7.4.3 Risk Management in the Extractives Industry in Australia*

This section outlines major themes related to RQ3: “What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?” The following are the major themes on the factors that affect risk management in the extractives industry in Australia.

#### **Major Theme 5: The importance of a holistic and structured approach to risk management (three lines of defence)**

Most participants observed that a holistic and structured approach, such as adopting the three lines of defence model, which considers the organisational risks as a whole, was key to success in managing all company risks, as voiced by Participant B, a senior manager for a mid-tier mining company: “We look at it from a holistic sustainability approach, so health, safety, environment, social responsibility are all put together to look at what the risks are, to determine material risks and other risks and put plans in place to manage those.”

This was supported by Participant J, a manager for a top-tier oil and gas company, who echoed that they:

Utilise an integrated management system approach to identify, assess, characterise, and manage sustainable development (SD)

risks, which is aligned with how we make business decisions to ensure the consistent global identification and assessment of risks. This system links directly to the ERM.

However, Participant I, from the service sector, stated that their system was unstructured and that “they’re very reactive and not really proactive at managing risk.” Organisational size can have an impact on the risk management approach adopted by a company, that is, the larger the organisation the greater the need for a comprehensive structured risk management system. Most participants voiced that the complexity of their risk management approach was commensurate with their company size. In addition, company size can affect the roles that play a part in risk management, as voiced by Participant C, from a resource industry association: “we are a very small organisation, less than 10 and trying to skills pool and the capability to have a full risk workshop and then coming up with ways to manage that risk can be challenging.” This can result in missing key aspects of risk management.

Over half (6) of the participants’ companies had migrated to the three lines of defence model (Moeller, 2011) in the last 4–5 years. The participants confirmed that this is an improvement from the traditional spreadsheet risk management approach. Several participants confirmed that risks are tracked in risk registers and materiality is communicated. Material factors are those that could have a significant impact, both positive and negative, on a company’s business model and value drivers such as revenue growth, margins, required capital, and risk (Visser & Kymal, 2015). The participants voiced that verification and validation of risk controls now form a key component of risk management controls, with one participant stating:

there are facilities risks that without doing any damage to the facility it goes all the way down to testing regularly your equipment, testing safety valves and reporting against those; and conducting regular

maintenance and having regular maintenance schedule and reporting compliance in all these areas. (Participant A, oil and gas executive)

As indicated by Participant A, an oil and gas executive, the intention of the risk management processes is that “you want to manage risk to as low as is reasonably possible.”

All participants voiced that it is good practice for the company to have a structured risk management process because “significant incidents such as serious injury or killing people, major damage to a facility, production time lost can destroy a company” (Participant A, an oil and gas executive). They went further, stating that “We have seen it with Exxon’s Valdez, BP’s Macondo and Texas fires and PTTP’s Montara incidents and so on” (Participant A). Thus, a structured approach supports the effective management of a range of risks including financial, strategic, operational, reputational, and compliance, as noted in the literature (Beasley et al., 2005; Chapman, 2011; Hopkin, 2018). The risks identified by the participants included the risk of commodity price fluctuations as oil and gas prices rise and fall; major facility accidents or incidents; changing government policies and fiscal terms; behaviours of joint venture partners; competence and behaviour of contractors and suppliers; climate change; environmental issues; community issues; reputation; people; oil price changes; fiscal changes; operational hazards; and the likelihood of explosion or failure.

A key weakness cited was the resources required for managing all these risks, as voiced by Participant E, who leads risk management for a mining company: “effective risk management takes time it is not a simple subject and frankly it’s not a subject that engages the average person in the workforce.” Human error was mentioned as one of the key weaknesses of risk management systems: “If things fail it tends to be human error and not the systems, it’s the way that people operate within the system” (Participant A, an oil and gas executive). Lack of training and poor competency was another weakness, particularly the discipline

and culture to follow the due process: “if you take the BP incident in Texas City when the refinery went up on fire. They had all the processes and procedures, but they weren’t following their procedures, and that’s always the weak spot” (Participant A). However, competent staff, particularly very experienced professionals, were mentioned as a strength of risk management systems.

Participant B expressed that risk management systems may be weakened “if different individuals are not as collaborative, as expected that can be hard pulling it together holistically or when roles have different reporting lines”, which creates a lack of cohesion and common purpose. For service delivery companies, a key aspect was trust from customers and business partners, as noted by Participant C, from a resource industry association: “one of our biggest risks is our partners trusting us. If they don’t trust us, then they won’t have business with us, and we cease to exist.” Participants confirmed that third-party or independent verification was important for evaluating the effectiveness of internal controls. It was noted that in some of the companies, “there was weak independence of the internal control process” (Participant I, a manager for a contracting company).

In summary, the findings in this theme contribute to answering RQ3: “What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?” by suggesting that it is important to have a structured approach to risk management. This in essence is the drive for ERM. This theme also finds that the three lines of defence model have been taken up by the extractives industry as their model for ERM; however, some smaller companies have not.

### **Major Theme 6: Board involvement is key in managing risk**

The role of the board is key in managing risk, as one Participant noted: “Absolutely, risk is owned by the board ultimately” (Participant C, from a resource industry association). Most participants voiced that risks are presented to the board for them to look at them holistically, as discussed in Theme 5: “The role of

the board governance committee is a setting key mandate for our risk area” (Participant D, an executive for a mid-tier mining company). As such, the board is the key to the management of risk. Most participants also indicated that their boards play a role in setting the risk appetite, that is, accepting and rejecting risk, as voiced by Participant F: “what happens is all those projects get assessed and compared and then recommendations made to the board, which is essentially a risk acceptance process.”

The participants confirmed that board reporting was a strong feature of successful risk processes and programs. Some participants stated that they report quarterly to their board, while one reports every six months. The board signs off on all risks that the organisation takes on in line with the organisational appetite set out in the risk procedure. In some organisations, risks are signed off at the highest level of the organisation’s management; for example, the Chief Operating Officer (COO), CEO, Managing Director, or Chair. Most participants stated that the board does not have enough time to look at everything. As such, the key to board considerations is the materiality of the risks. However, some of the board considerations are not limited to material risks but also consider key non-material risks, as voiced by Participant B, a senior manager for a mid-tier mining company:

One of the key factors, that really help drive it is the COO, Chief Operating Officer, they can see the real change, when we change leadership, the way the leaders see it and apply it. That is really the change for us that strengthens the focus. I think if we had someone that came in with less of a focus on it that would increase the risk.

All the participants confirmed that the board gets a filtered view of the risks; as one participant stated: “obviously it has to be simplified and brought to the board, the board cannot think about a thousand issues, it can only look at the top issues” (Participant C, from a resource industry association). Furthermore, the board also looks at the strategic risks to the business, as voiced by Participant E,

who leads risk management for a mining company: “At a board and executive level, it applies to the risks that are existential to the business. Whereas at an operational level, we tend to be more focused on things that are going to make or break the mine site”. It is worth noting that one of the participants reflected on the lack of board objectivity in their organisation and expanded on this by emphasising the need for an objective and strong board:

I do not see how a company operating in that sphere and in that industry can be run like a family business. It needs to be run like a formalised business where you can identify your risks and have them all managed correctly. There is a board for our company, but I think the management side of things was not handled very well at all. (Participant E, who leads risk management for a mining company).

Overall, this finding contributes to RQ3: “What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?” by finding that the company board of directors is a key factor in managing risk. Most participants confirmed that board reporting was a strong feature of successful CSR programs.

#### *7.4.4 The Role of CSR in Risk Management*

The final research question (RQ4) explored the impact of CSR on risk management in the extractives industry in Australia and how this relationship can support the development of holistic risk mitigation measures that can be used by the industry. Employing content analysis of the interview data (derived from the individual interview transcripts), the following major themes on the role of CSR in risk management were compiled.

#### **Major Theme 7: CSR plays a positive role in risk management**

It was clear from the participants that they believed CSR plays a positive role in risk management, predominantly in the three areas of risk identification,

development of critical controls, and monitoring and reporting frameworks. As noted by Participant D, an executive for a mid-tier mining company:

As we go through the risk identification process, CSR is a fantastic input into understanding where your social, political, environmental and other risks are coming from, so they should be formally tied at the level which they are. Secondly, is in the development of critical controls where CSR aspects are some of the critical controls used for those material risks. Once you have got the CSR as an input into issue identification and risk identification then you have got CSR levers playing a significant role in development of the risk framework. The third part is CSR as a monitoring and reporting framework, so a lot of CSR is about connecting and integrating with stakeholders. So, it gives you a great way of reporting your success against and having measures against which your critical controls work.

The positive role that CSR plays in risk management is dependent on the type of risk. For example, oil and gas companies that operate onshore stated that SLO benefit was key, particularly with local communities and Indigenous organisations. However, the degree to which it plays a positive role was varied, as one participant discerned: “it’s not a dominant role because the soft risks that the company faces cannot be addressed through CSR.” The role of CSR as a risk management tool was noted by an Executive within a mining company: “constantly checking yourselves against those and modify them as necessary to ensure we continue to maintain good business performance and ethical business practices” (Participant G who leads environment and sustainability for a mining company).

Participant B, a senior manager for a mid-tier mining company observed that CSR plays a positive role, “because it creates the tough conversations you can have, the types of things we can consider, it means that we are taking a broader and long-term approach to things. It has a positive impact on our overall risk

management.” Participants suggested that CSR has a positive impact in managing the following types of risk: SLO, protest activities, political and community support for the activities, regulations, and community. However, CSR plays a lesser role in managing process safety risks such as the oil and gas plant blowing up, as one participant noted:

But if I am worried about my plant blowing up and it's not through say a terrorist activity that I am trying to manage or some local disturbed group that think that they should be damaging the plant then corporate social responsibility doesn't really go very far towards that.  
(Participant A, an oil and gas executive)

Participant A, an oil and gas executive highlighted the case of coal seam gas (CSG) projects in Queensland and NSW and the differences in the difficulties they faced in the two states as a good example of how CSR plays a positive role in risk management. Participant A commented that CSG projects in Queensland engaged all stakeholders, thus gaining SLO, which facilitated the community buy-in of their activities, whereas CSG projects in NSW were tainted by allegations of poor environmental practices and stakeholder management and hence faced a lot of resistance from stakeholders. They noted that this leads to stakeholder problems in NSW resulting in high costs when executing gas projects in NSW, and consequently gas shortages. These gas shortages in NSW have forced the state to import gas from other states at a higher price than when it sourced it within the state.

All participants confirmed that CSR plays a huge role in managing reputational risk. All participants confirmed that they measure this through perception surveys, as discussed in Major Theme 3 in Section 7.3.2. One participant remarked that “the so-called social performance or environmental and governance areas and risk fit very closely” (Participant D, an executive for a mid-tier mining company). This was echoed by Participant F: “So, do I think it is necessary for CSR to play a role in risk management? Absolutely! because there

is a potential for risk and it's your reputation and reputation risks impact on your cash flow.”

Another observation was the connection made between CSR as social value and managing contractor/supplier risk. CSR can protect the value of the contract, as Participant H, a senior executive for a big four professional services firm, noted: “There has to be the kick for the buck and as long as the kick for the buck is visible, I think people will do it,” or it drives the value of the contracts, leading to a win-win situation. As such, CSR must be seen to provide value to both clients and service providers to enable a successful business relationship. Ultimately, supplier contracts that are developed outside the lens of a symbiotic relationship do not realise their true value.

When tendering out for work, companies need to determine a fair price that they are prepared to pay for a service before the tendering process instead of focusing on the lowest cost providers; for example, in engineering, procurement, and construction (EPC) infrastructure contracts. This would then ensure that they weed out chancers who would bid at the lowest cost and subsequently provide a poor service while trying to minimise the cost to avoid providing a service at a loss. A company with good ethics that pays a fair value ensures that it gets the best value out of the market, even when negotiating an EPC contract thus mitigating project quality and delay risks. Negotiating in good faith, and paying fair value ensures that the company does not surrogate or pass on a disproportionate amount of risk to its contractors and subcontractors as this may force them into a dispute-first approach to resolving any problems.

Some participants expressed that the use of contractors and subcontractors contributes to the weakness of CSR in risk management, as voiced by Participant A, an oil and gas executive: “I think, although we don't see it a lot one of the weaknesses of any risk management systems often comes down to contractors, subcontractors, and parts supplied.” Many risks have been

introduced or missed through poor subcontractor management or quality management. Weak risk management processes fail to pick contractor issues such as the contractor's improper planning; poor site management; or inadequate experience resulting in project delays (Assaf & Al-Hejji, 2006). Examples of projects that have experienced issues due to quality issues and contractor management issues include Chevron's Gorgon gas project, BHP's Ravensthorpe and Yabulu projects (2004–2008), and Woodside's Pluto LNG project (2007–2012). CSR's positive role in risk management was summarised by Participant D, who noted that: "Indeed the CSR outcomes are run through stakeholder type function and the risk aspects are run through operational lead function, but they do come together at a material risk company level."

Overall, this theme contributes to answering RQ4: "What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?" by suggesting that CSR plays a positive role in risk management. CSR impacts risk management by contributing to the three key areas of risk management: risk identification, development of critical controls, and monitoring and reporting frameworks.

### **Major Theme 8: Quantifying and optimally communicating the benefits of CSR in risk management supports the integration of CSR and risk management**

Most participants noted the importance of measuring the impact of CSR and its contribution, as explained by Participant G, who leads environment and sustainability for a mining company:

Business impacts might be economic, they might be social, and might be environmental, safety those types of things so having a suit of indicators that we measure yourselves, it's not just a case of ensuring that you are actually meet those indicators but understanding the dynamics that occur within the broader social sphere, so policies

change, government changes and that drives what those indicators should be.

One participant noted that although CSR has a positive impact on risk management, it was not “a particularly measurable one” (Participant F, a senior manager for a top tier oil and gas company). This was echoed by Participant G, who leads environment and sustainability for a mining company: “I think our inability to quantify becomes a barrier sometimes.” As the role is difficult to measure, this results in stakeholders who see “social responsibility as a cost and it’s not a cost that contributes to the products that we are selling so they don’t see how it actually fits into what they are responsible for doing” (Participant G).

This failure to understand the value of CSR results in stakeholders not seeing the benefits: “They don’t see value in the relationship until they are broken and then they have trouble to quantify that as well” (Participant G, who leads environment and sustainability for a mining company). Some participants thus saw the inability to quantify and hence communicate the impact of CSR on risk management as a barrier to both uptake of CSR and risk management programs. As such, this was seen by the participants as an impediment to making CSR an integral component of the company’s risk management system. Not seeing the value of the integration of CSR and risk management could be addressed by better understanding and quantifying those risks, leading to quantifying and knowing the cost; for example, “project approval delay due to community opposition to a project” (Participant G). Knowing the cost of this project delay due to a lack of SLO allows it to be quantified and understood in financial terms. Understanding the cost of the project delay gives perspective and quantification of the impact on time and outcomes.

It was evident from the interviews that CSR positively impacts the core functions of business such as reputation, employee attraction and engagement, and

morale; as noted by Participant B, a senior manager for a mid-tier mining company, CSR:

Ensures that we build a really strong reputation as a company across all of our operations, so that when we go into new greenfield areas, we have a good reputation, and we get welcomed hopefully into those communities and also, we want to attract and retain talent.

Participant B, company went on to say, “When they look at attraction and retention, a lot of people say that they were attracted to come and work for us because of our social responsibility and what they had read about us, and our reputation, so it definitely helped with that.” It also impacts on government relations, thus making the regulatory environment conducive to the company operations; as noted by Participant B, CSR “helped with engagement with the government and in particular with the local council and getting permitting approval through with community support. It assists with our engagement and the trust in us.” However, most participants raised the difficulty in quantifying the benefits of CSR, as explained by Participant D, an executive for a mid-tier mining company:

The non-science based or difficulties in measurement or measuring outcomes in CSR, maturity of the CSR function in terms of just people having invested through many cycles and seeing the benefit; so, in a lot of cases you are asking them to invest in solutions that they yet have not had the chance to either see, experience or understand.

Attempts have been made at quantifying the benefits of CSR to risk management with limited success, as noted by Participant D, an executive for a mid-tier mining company:

I think we need to get better at understanding and quantifying those risks, the people that live and work at the front end understand it but I don't think we necessarily have a mechanism and system to quantify the impacts on our business.

As such, being able to accurately quantify the benefits of CSR is critical for realising and communicating its impact on risk management; as noted by Participant B, it is important to confirm that the benefits “are intangible, usually and often when dealing with engineers and finance people they want to see a tangible outcome, sometimes it’s hard for them to see the value.” This difficulty in measuring and quantifying the CSR benefits leads people to be “much happier to invest in avoidance measures than they are to invest in building social capital” (Participant D, an executive for a mid-tier mining company).

There was a common view from the participants that some practices are easier to measure than others. For example, it is easier to measure the whistle-blowing process, code of ethics, employee engagement, community engagement and development, pollution and waste management, and sustainable procurement management, as noted by 6 of the participants. However, it is more difficult to measure the level of progress made regarding the number of anti-corruption cases reported and addressed; how the welfare of the employees and their views are factored into the business’ decision-making process; the number of community stakeholders reached through development programs, or the number of suppliers abiding by the business’s code of ethics.

More than eight of the participants agreed that companies in the extractives sector in Australia need to effectively determine the value of the contribution their CSR programs make to risk management and effectively communicate this to both internal and external stakeholders. Providing clear tangible measures of CSR would allow CSR to be seen to be competitive, particularly during periods of downturn when organisations go into cutbacks. This would shield CSR departments from cutbacks due to the visibility and tangibility of financial or non-pecuniary CSR impacts on risk management. Overall, there was a clear and common view among the participants that CSR benefits need to be properly quantified and clearly articulated.

The ability to quantify and communicate CSR benefits is also impacted by workforce quality and competency. As such, workforce training and competency development were mentioned as major factors in realising the benefits of CSR and risk management. As noted by Participant A, an oil and gas executive: “in essence the quality of the organisations depends on structure and organisations but ultimately, the biggest determinant of success, all things being equal, is the people.” This impacts the ability to roll out programs as well as communicate within organisations. This was also noted by one executive responsible for Human Resources (HR), HSE, and external relations for a mining company: “I don’t think we have a mechanism to quantify that cost enough and I don’t think we quantify that cost enough” (Participant D, an executive for a mid-tier mining company).

All the participants agreed that quantifying the effectiveness of risk management by “measuring and observing and reporting against metrics” (Participant A, an oil and gas executive), such as environmental spills, total recordable case injury frequencies, or the number of inspections for facilities, can also demonstrate the effectiveness of CSR. Furthermore, physical verification activities can support the understanding of the effectiveness of CSR, as explained by Participant A “we actually go on-site and interview and inspect so we will carry out audits.” Undertaking these physical verification activities forms part of the assurance process and confirms that the processes are working as they should.

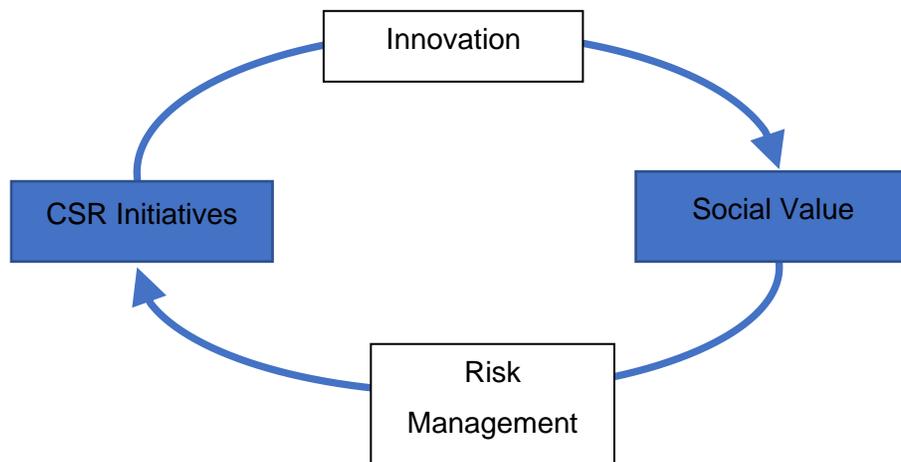
Overall this theme contributes to answering both RQ2: “What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?” and RQ4: “What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?” by suggesting that CSR plays a positive role in risk management by

finding that it is important to quantify the benefits and value of CSR to companies to promote CSR uptake and enhance its role in risk management.

**Major Theme 9: CSR is driving innovation in risk management**

Most participants linked CSR to innovation in their organisations. CSR programs were supporting innovation by dealing with issues such as social justice, poverty, and climate change. The participants confirmed that successful organisations use CSR to frame these challenges as opportunities to innovate rather than as risks to be controlled and mitigated. The CSR processes and initiatives to fulfil social value requirements act as risk management, as illustrated in Figure 7-2.

**Figure 7.2: CSR Drives Risk Management Innovation**



This new contribution to knowledge demonstrates the link between CSR innovation and risk management. These opportunities include improving systems; inventing new approaches; and creating solutions to change society for the better. This innovation is driven by people within the organisations, as explained by Participant A an oil and gas executive: “Because the quality of the organisations depends on the structure of organisations but ultimately the biggest determinant of success all things being equal is the people.” This was echoed by Participant G, who leads environment and sustainability for a mining company:

As we go into new areas, the nature of the community they are educated, they are aware and they know the questions to ask, we

have actually had to look at our processes for stakeholders' engagement, traditional owner engagement, change our business strategy approach to these areas to build in that concept of things like free prior and informed consent.

Therefore, the quality and competency of the workforce have a direct bearing on CSR and risk management outcomes. Participant G, who leads environment and sustainability for a mining company went on to affirm that "Certainly, that new area of exploration has driven us to push some of our previous understandings and improve our practices even more." These findings extend the previous findings of Rexhepi et al. (2013), who argued that CSR and innovation are the foundation of business competencies by identifying the risk management contribution of this innovation.

Participant F, a senior manager for a top-tier oil and gas company also voiced that:

The other part of what I do, I say, is unconventional risk management and that is, I guess, applying what I call my skills and knowledge to other areas to enable us then to assess the risk and that includes integration into our enterprise risk management system.

This was corroborated by Participant I, a manager for a contracting company, in that "innovation to promote conservation through conservation partnerships" was part of their CSR programs. Scientific evidence exists that companies strong in CSR compliance were in most cases highly innovative (Ratajczak & Szutowski, 2016).

Stakeholder pressure and drive for sustainability have seen companies move towards reducing their carbon footprint and reducing their impact on climate change; as noted by Participant H, a senior executive for a big four professional services firm, CSR acts as a "connection and transition from the changes which

are happening with regards to conventional combustible fuels and replaced by renewables.” Participants highlighted initiatives within their companies to reduce carbon such as the autonomous haulage trucks used by mining companies. These were pioneered by BHP and Rio Tinto in Australia and now other companies such as Fortescue are following suit. This contributes to risk management in relation to the safety of the workforce by removing people from the line of fire. The participants highlighted CSR as the driver for mining companies engaging in alternative sources of fuel such as hydrogen fuel, wind, and solar. Participant H, went on to say that CSR is, “very much in relevance to the change on a very traditional focused industry with regards to adjusting to the new challenges from doing the right things in the public eye for your SLO.”

CSR and risk management link in organisational attempts to provide for the well-being of society. This leads to new ways of doing innovative business and link in with technology; as Participant F, a senior manager for a top-tier oil and gas company explained, “we get involved in other innovation like number plate recognition on forecourts can we let people pay for petrol’s from their mobile phone” so that “you could pay for fuel with we would really like you do that from the safety of your car rather than wander around the forecourt.” The burden of accountability driven by CSR ensures that companies look for new ways of doing business, as noted by Participant F:

Accountability fits in there and then there is an early element of finding new ways because we do not have an unlimited bucket of money, we are using to do these CSR activities and tasks. So, it does not hurt to be smart about how you spend that money this task and save money.

Overall, this theme contributes to answering RQ1: “What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?” by highlighting activities driven by CSR innovation that also contribute to the managing of risk, and RQ4: “What is the impact of CSR on risk management in the extractives

industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?” by suggesting that CSR drives innovation, which in turn drives improvements in risk management and thus plays a positive role in risk management.

### **Major Theme 10: A clear strategy is key for the successful integration of CSR and risk management**

All participants confirmed that CSR must play a role in their company’s risk management approaches, with one participant emphasising that “it has to be strategic, it has to be very strategic” (Participant A, an oil and gas executive). Clear articulation of what is intended to be achieved is required, “but in a targeted manner, it’s not in a blanket situation it really needs to be thought about in terms of what are we trying to achieve” (Participant A). As such, it is the organisations that have elaborate CSR programs that realise the benefits of CSR, including risk management. Participant J noted that it has to be a deliberate strategy that integrates CSR and risk management “into business decisions, mainly financial impacts when evaluating the overall return on investment on projects.”

The majority (9) of participants recognised the value of a CSR strategy in that “it makes all good business sense for us to have a strategy in the Corporate Social responsibility area to deliver the greatest business flexibility and support for operations and growth” (Participant A, an oil and gas executive). They cited well-thought-out strategic philanthropic activities as examples, including how oil and gas companies are currently partnering with SciTech and funding STEM programs with the ultimate goal of enhancing brand and reputation in the community while at the same time identifying and attracting talent into their ranks in a subtle and structured way. As noted by Participant A:

You won’t quite call it CSR but some of the things they are doing, like working with young people and robots and things like that, but some of their thinking behind some of those activities and strategies relates to trying to make the company appeal to younger techy people.

This shows that CSR as a social value is now being integrated into company strategy to drive competitive advantage in the market by resource companies.

To drive integration of CSR and risk management, participants observed that it is important to see them as a way of doing business, with one participant stating: “for us, you have to have the people at the top who see it as integral and to continue having it embedded in the procedures and conversations” (Participant B, a senior manager for a mid-tier mining company). Thus, by making sure that CSR approaches and activities are embedded into how business is done would make separation difficult as they are so integrated. This was supported by Participant A, an oil and gas executive: “don’t try and do everything everywhere” as it is important “to step down to the local level and see if the investments you are making are targeted at the right areas, that is, a lower level and subset of what you are doing.” This then would inform the organisational culture to drive integration, as Participant C commented:

It’s the culture of the business and the culture of society. Society as a whole will determine and define the fundamentals of what it expects from CSR and whether that be from you as an individual member of society and how you behave when you are on the streets.

Consistency of strategy across different operational regions was highlighted as a driver of integration of CSR because “there are social responsibility expectations on those individuals in the society. And that can vary based on community, can vary based on where you are in the world” (Participant D, an executive for a mid-tier mining company). Participant A, an oil and gas executive concurred, in that, “there is the benefit of a more formal link with the risk management workshop at the levels” but also cautioned the need to ensure a fine balance between the two areas:

And indeed, from my observation when you put the relationships bit too close to those you actually lose the relationship bit because risk is

about systematising many of those performance aspects and relationships tend to be better when run by people who are relationship professionals.

Employee motivation was mentioned by some participants as part of the strategy to drive the successful integration of CSR. Participant J, a manager for a top-tier oil and gas company expressed that, “you could link it into your bonuses and scorecards”, which they acknowledged “a lot of companies do.” They went further to state that, “The company would be seen in a more positive light as well. Imagine you get 50,000 people across the world all doing something good in that CSR space as 15% of their bonus is related to that. That can mobilise a lot of people and get them engaged.” Finally, there is also a need to align CSR activities with shareholder expectations around governance, as noted by Participant D an executive for a mid-tier mining company: “the so-called social performance or environmental and governance areas and risk fit very closely.”

Overall, this theme contributes to the research by answering all four research questions. It answered RQ1: “What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?” by highlighting CSR opportunities with risk management. It answered RQ2: “What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?” by suggesting that a strategy is required to enhance the positive aspects of CSR, which can be leveraged in risk management. It answered RQ3: “What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?” and RQ4: “What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?” by suggesting that a clear strategy is key for the successful integration of CSR and risk management.

## **Major Theme 11: There are areas of conflict between CSR and risk management**

A few participants noted that there is sometimes a conflict between CSR and risk management, with ransoms being one of the most controversial; for example, the anti-ransom codes versus how you would respond in a kidnapping situation requiring paying a ransom to release company workers in one jurisdiction and yet in the company's home country it is prohibited. As Participant C, from a resource industry association, stated:

I know what I would do, I would pay what is needed to get freedom. But you get companies that in some ways they are bound by law to not do certain things but then in countries where they operate there is an expectation, there is an expectation that they would do things that are against the law in their home countries under the law.

Another aspect cited was that of bribery and corruption, particularly how MNCs reconcile what is termed a bribe in one country but a facilitation fee in another country where they may want to do business. The facilitation fees are a key part of doing business in certain countries, as Participant C, from a resource industry association observed: "in countries around the world where you are paying someone a facilitation fee to progress a contract and in that facilitation fee there is a payment for the person who received and may be that person's sole income." This practice will be accepted in the society that they work in; it is expected and part of the culture. However, this may be deemed corruption or bribery in another country, or the governance practices of the company may not recognise this as part of doing business. As such, in one society or jurisdiction what is termed as bribery may actually be termed CSR, as perceived by Participant C: "those facilitation payments because you are helping to sustain the local community, but in another country that is seen as bribery and is seen as illegal." However, by the letter of the law and the advice of some lawyers, it would be considered illegal.

Some of the participants stated that they had conceived no barriers to CSR, rather they identified conflicting priorities in terms of expenditure and resourcing, such as commercial imperatives, and other priorities, such as safety. It was notable that safety would be considered by some participants as a competitor of CSR rather than mutually integrated. This view of the two as competitors instead of mutually integrated could have been the result of weak integration. This is in contrast to previous studies that have seen safety as a component of CSR (du Plessis, 2017; Jain et al., 2011). The potential conflict was also noted in the performance of the CSR strategy in terms of direct reporting, as there “is the benefit of a more formal link with the risk management workshop at the levels” as “long as caution is taken that the relationship aspects of corporate responsibility are not systematised to the point of being unable to deliver because many of those relationship aspects are built over a long time” (Participant D, an executive for a mid-tier mining company). There is a probably a way you can “systematise that to make better and align to risk management” but “there is a risk from any companies’ space when they over codify” (Participant D) and end up with relationships that are not of the quality they need for whatever business outcome they need it for.

A few participants raised the potential conflict between CSR and risk management, particularly for those firms in the professional services industry, as noted by Participant H, senior executive for a big four professional services firm: “as a professional services company you typically don’t have experience in it, you typically tell people how to cook but you don’t eat the soup.” As such, you advise companies to maximise their profits through “transfer of costing or allocation to different jurisdictions you obviously pay like Google or Amazon you have your tax revenue minimised but again dealing in the country you have deprived the country of tax derived revenue” (Participant H, a senior executive for a big four professional services firm).

Finally, a key issue in organisations is that bad news does not travel up the chain. One of the key findings from most crises is that the organisational leadership says they were not aware of the issue. This means the intention to do well by the business through ethical business conduct is dependent on transparency within organisation. This can aid communication of poor business practices and business failures up the hierarchy. However, because managers control what they communicate up the chain due to self-preservation, this infringes on the role of CSR and risk management, which are supposed to support each other's intentions.

Overall, this theme contributes to the research by answering all four research questions. It answered RQ1: "What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?" and RQ2: "What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?" by suggesting that there are areas of conflict between CSR and risk management. Practitioners need to be aware of these areas and mitigate them to enhance the positive aspects of CSR, which can then be leveraged in risk management. Identifying these conflict points also answers RQ3: "What is the nature of risk management and factors that affect risk management in the extractives industry in Australia?" and RQ4: "What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?".

## **7.5 Conclusion: Summary of Key Findings**

In summary, the themes discussed above and summarised in table 7.1 are not mutually exclusive. It was clear from the participants that they believed CSR plays a positive role in risk management in the three key areas of risk

identification: development of critical controls, and monitoring and reporting frameworks. Furthermore, quantifying and optimally communicating the benefits of CSR in risk management supports the integration of CSR and risk management. CSR is driving innovation in risk management and CSR led innovation can lead to operational improvements, including innovation in dealing with issues such as social justice, poverty, and climate change. However, it was also noted that there is conflict between CSR and risk management. The interaction between the different themes is illustrated in Figure 8-2 in the next chapter.

Overall, this concludes the discussion of the qualitative data as it relates to the four research questions. The interview data pertinent to each of the research questions were analysed and themes were developed. The themes were presented and the key findings for each research question are summarised as follows:

RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?

The data indicates that there was a wide-ranging understanding of what CSR is, by the participants; however, they all made the connection between CSR and responsible/ethical business practices delivering its social contract to its stakeholders. The key theme was that CSR has evolved from an ad hoc philanthropic approach to strategic intent to support various business strategies. Some of the CSR practices implemented by the extractives industry are land access, community relations, stakeholder management, SLO, environmental management (e.g., biodiversity, water management), community investment, and local employment and procurement, including regional and Indigenous employment and procurement. There was a general understanding by all the participants that SLO refers to the level of acceptance or approval by local communities and stakeholders. There were strong

indicators that stakeholder management is a key factor in managing the company's reputation as perceptions shape reality.

Overall, the data identified the holistic and broader reach of CSR activities to benefit the organisation and the wider society. It also highlighted the impact of CSR on risk management in the extractives industry in Australia and how this relationship supports the development of holistic risk mitigation measures. It achieves this by suggesting that SLO's transition to social value supports as a risk management strategy by the industry, as it recognises the importance of the wider society. This includes managing different aspects of risk, including reputation, land access, government approval, community approval, and talent source and workforce resourcing. It is connected to the other themes that discuss creating opportunity, thus driving organisational strategy by securing access to capital, resources, markets, and talent. However, it should also be noted that even where the integration of CSR in risk management occurs, this does not render CSR activities sufficient or meaningful from a community vantage point. The problem is that social value is claimed without being evidenced. There are lingering questions as to how claims of SLO evolution and CSR maturity are judged externally.

RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?

CSFs for CSR include leader values that are inclined towards CSR and its strategic intent. Management involvement in CSR is important as it set the organisation's vision. This also allows resources to be dedicated to CSR. It is also important to quantify the benefits of CSR to the organisational objectives. Some organisations have clearly demonstrated a link between CSR and good business practices. The data suggests that strategic alliances are key to the success of CSR programs. This is reinforced by effective stakeholder management and engagement, which help the organisation to understand the

impact and value of its CSR program. This includes regulators, communities, schools, research groups, professional associations, and trade unions.

RQ3: What is the nature of risk management and what factors that affect risk management in the extractives industry in Australia?

Most participants observed that a holistic approach to risk management was key to success in managing all company risks. For most of the participants, the role of the board was key to managing risk. The data suggests that it is important to have a structured approach to risk management, in essence, the drive for ERM. This theme also finds that the three lines of defence model has been adopted by the extractives industry as their model for ERM; however, some smaller companies have not yet adopted this model. The participants confirmed that board reporting was a strong feature of successful programs. Furthermore, the board signs off on all risks that the organisation takes on in line with the organisational appetite set out in the risk procedure. In some organisations, risks are signed off at the highest level of the organisation's management; for example, the Chief Operating Officer (COO), CEO, Managing Director, or Chair.

RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

It was clear from the participants that they believed CSR plays a positive role in risk management in the three key areas of risk identification, development of critical controls, and monitoring and reporting frameworks. Furthermore, quantifying and optimally communicating the benefits of CSR in risk management supports the integration of CSR and risk management. This is critical to the success of CSR programs as it facilitates the recognition of its contribution to the organisation. CSR is driving innovation in risk management and CSR-led innovation can lead to operational improvements, including

innovation in dealing with issues such as social justice, poverty, and climate change. For example, stakeholder pressure and the drive for sustainability have seen companies move towards reducing their carbon footprint and reducing their impact on climate change.

Overall, the data highlights opportunities for synergy and leverage between CSR and risk management. It suggests that a strategy is required to enhance the positive aspects of CSR, which can be leveraged in risk management. Furthermore, a clear strategy is key for the successful integration of CSR and risk management. Finally, a key issue in organisations is that bad news does not travel up the chain. One of the key findings from most crises is that the organisational leaders say they were not aware of the issue. This means that the intention to do well by the business is dependent on transparency within organisation. This can aid communication of bad business practices and business failures up the hierarchy. However, because managers control what they communicate up the chain due to self-preservation, it limits the role of CSR and risk management, which are supposed to support each other's intentions. However, it was also noted that there is conflict between CSR and risk management. Practitioners need to be aware of these areas and mitigate them to enhance the positive aspects of CSR, which can then be leveraged in risk management.

The next chapter provides a discussion of the quantitative and qualitative results presented in Chapters 6 and 7 respectively, and the overall conclusion for this thesis.

## Chapter 8 Discussion

### 8.1 Introduction

This thesis aimed to examine the role of CSR in risk management in the extractives industry sector in Australia. As indicated at the beginning of the study, the researcher asked both quantitative and qualitative research questions to better understand the role of CSR in risk management in the extractives industry sector in Australia. MMR (Figures 5-2 and 5-3) was applied with Phase 1 (quantitative) which then informed Phase 2 (qualitative) to further interrogate the role of CSR in risk management by answering the following research questions:

- RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to the business?
- RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for the successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?
- RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?
- RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

This chapter integrates the findings from the survey and interview phases of the study. It synthesises the results from both phases, summarises the key findings, and connects them to the literature. Section 8.2 presents a summary of the findings from both phases (survey and interviews). Sections 8.3 – 8.6 integrate the quantitative (survey) and qualitative (interview) results. These results are discussed in the context of the literature previously reviewed, and as they relate to the four research questions and the role of CSR in risk management in the

extractives industry sector in Australia as a whole. Section 8.7 concludes the chapter.

## **8.2 Summary of Findings**

In this research, the responses from 112 surveys (quantitative) comprising 51.8% from mining, 30.4% from oil and gas, and 17.9% from both mining and oil and gas, and 10 interviews (qualitative) representing mining (n = 4), oil and gas (n = 4), and contractors/service providers to those sectors (n = 2) were synthesised and integrated.

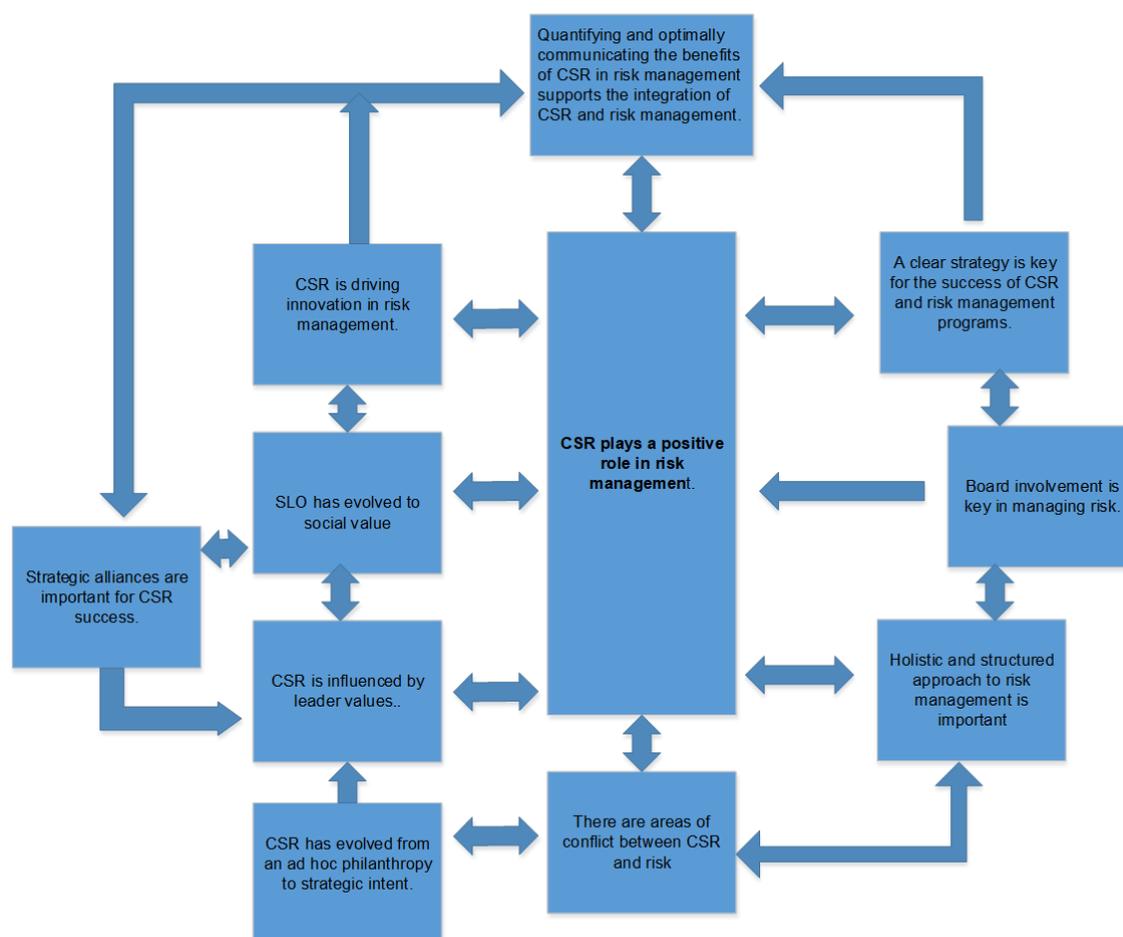
The results were synthesised and integrated within the phase and then across the phases as they relate to the four research questions. The online survey results are summarised in Table 8-1 and the interview results are summarised in Figure 8-1 identifying the key interactions between themes as outlined in the discussion that follows.

**Table 8.1: Summary of Survey Results**

<b>Research question</b>	<b>Summary of Survey Results</b>
RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?	<ul style="list-style-type: none"> <li>• 73 companies in the extractives industry; 60% &gt;1000 employees 40% &gt;1000 employees; 51.8% mining, 30.4% oil and gas, and 17.9% both mining &amp; oil and gas; 71% operating internationally, 18% Australia wide, and 11% WA only; 34% HSE department and remainder spread across all departments; 40% bachelor's degree, 33% master's degree, 7% a Ph.D., and &lt; 5% other</li> <li>• 90% &gt; respondents understand CSR; 6% no understanding.</li> <li>• 87.5% had CSR programs, while 8.9% did not and 3% were not sure</li> <li>• 70% operators, 26% service providers/contractors, and 4% other</li> <li>• 85% at least one stock exchange; 40% &gt; more than 1 stock exchange; 14% not listed</li> <li>• ISO14001 and GRI top standards</li> <li>• Significant relationships between having a CSR program and company size; company revenue; primary industry; company operations location; level of education of the respondent</li> <li>• Significant relationships between CSR understanding and company size; company type; gender</li> <li>• Significant relationship between having a CSR program and company effectiveness in risk management.</li> </ul>
RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?	<ul style="list-style-type: none"> <li>• CSR Benefits - Improving organisational reputation and brand loyalty, organisational growth, and greater attraction and retention of talented staff.</li> <li>• CSR Drivers - Gain an SLO; followed by being seen to be socially and environmentally responsible; integrating ethics into company operations and investors.</li> <li>• CSR barriers - financial constraints; poor understanding of organisational benefits of CSR and inadequate training difficulty in measuring and quantifying CSR efficiency, poor understanding of external affairs, and social performance as a valued contributor</li> </ul>
RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?	<ul style="list-style-type: none"> <li>• Top risks - Operational risk, financial risk and strategic risk.</li> <li>• RM benefits - identifies threats and opportunities that are not apparent to the company; ensures regulatory compliance through effective coordination of regulatory and compliance matters; and reduces the number, type, and severity of adverse events, including third-party related incidents</li> <li>• RM barriers - insufficient resources to manage risk (30%), lack of knowledge to manage risk (30%), poor communication throughout the organisation (29%) inappropriate application of risk management frameworks and assessments, and impact of culture</li> <li>• Risk management effectiveness ranged between 3.2 and 4 out of 5 good across all variables</li> </ul>

	<ul style="list-style-type: none"> <li>Internal control is fairly well-established in some companies</li> </ul>
<p>RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?</p>	<ul style="list-style-type: none"> <li>55% stated CSR was integral to risk management, 21% neutral and 23% said it was not</li> <li>Those that stated CSR was an integral part of RM, CSR was seen as playing a positive role in managing all the major risk groups</li> <li>Reputational risk was seen as the top risk that CSR plays a role in managing, followed by compliance and regulatory risk, operational risk, and strategic risk</li> <li>65% agreed, while 16% disagreed that organisation's CSR activities plays a positive role in the management of our risks</li> <li>89% stated CSR should be an integral component of their risk management, while 4% disagreed</li> <li>Factors supporting integration - Implement your CSR initiatives in your overall strategy and risk management, make sure the senior management team buys into the program, and promote CSR as a driver for innovation and development in the organisation.</li> </ul>

**Figure 8.1: Summary of Interview Results (Interaction Between the Themes)**



## 8.3 The Nature of CSR in the Extractives Industry in Australia

### 8.3.1 Integrating findings

RQ1 considered the nature and characteristics of CSR in the extractives industry in Australia and whether the positive aspects could be leveraged to enhance value to business. Key findings from the survey were that of the 112 survey respondents, 51.8% were in mining, 30.4% were in oil and gas, and 17.9% were in both mining and oil and gas, as illustrated in Figure 6.1. Regarding employee numbers, 60% had over 1000 employees while 40% had less than 1000 employees. Operationally, 71% of respondents identified their company as operating internationally, 18% as Australia wide, and 11% (13) as WA only. The online survey confirmed that a majority (87.5%) had a CSR program. From the

survey, it was evident that females comprised a lower percentage than males in the respondent profiles. Over 50% of respondents rated themselves as CSR experts, 40% rated themselves as having some understanding of CSR, and 6% stated that they had no understanding of CSR, as illustrated in Figure 6-3. Survey results also suggest significant relationships between having a CSR program and company size; company revenue; primary industry; company operations location; level of education of respondents. Significant relationships were also noted between CSR understanding and company size; company type; gender. There was also a significant relationship between having a CSR program and company effectiveness in risk management. The two key findings from the interviews were that 9 out of 10 interview participants stated that their companies had CSR programs and that CSR in the extractives industry has evolved from an ad hoc philanthropic approach to strategic intent with both CSR and SLO evolving to social value.

The online survey results show that larger, publicly listed companies have a CSR program while one in 10 respondents from smaller organisations stated that their organisations did not have CSR programs. From the online survey, ISO14001 and GRI were the most used standards. Many of the survey respondents' organisations (85%) were listed on at least one stock exchange, 40% were on more than one stock exchange, and 14% were not listed. The interview results elaborated on the online survey results to demonstrate that achieving an SLO is important for the extractives sector. The interview results confirmed that the complexity and strategic intent of an SLO have been slowly evolving and are having a broader impact on society (social value sphere). However, the integrated findings, also showed that all organisations are not at the same stage of this evolution (maturity).

The synthesised results confirmed that overall, CSR has evolved from ad hoc philanthropy to strategic intent and that CSR practices in the extractives industry in Australia are on a maturity continuum. From the interviews, it was evident that

the term CSR is now outdated, and some of the practices have evolved into the sphere of social value and social performance. The interviews suggested that understanding the role of shareholders as stakeholders was key to the success of CSR in the future. Interviews further confirmed that the type of CSR adopted by an organisation is influenced by leader values. Overall, the synthesised results confirmed that CSR is generally becoming more holistic and evolving from a purely normative perspective or ad hoc philanthropy to a strategic process.

RQ1 also sought to understand the CSR value for the extractives sector. The survey results suggest that CSR brings a wide range of benefits to the organisation. These include improved legitimacy and organisational reputation/brand; supporting organisational growth; ensuring greater attraction and retention of talented staff; and improved access to capital. Interviews further elaborated on the areas where CSR has been successful. These areas include land access, community relations, stakeholder management, SLO, environmental management (e.g., biodiversity, water management), community investment, local employment and procurement, and regional and Indigenous employment and procurement. Nevertheless, the interviews suggested that there was limited support for CSR as providing holistic benefits to the communities. The integrated results suggested some doubt regarding the value that CSR brings to communities. This was further confirmed in the interviews. However, the interviews elaborated the notion that understanding and quantifying the strategic benefits of CSR has been an issue ever since the early days of CSR. The integrated findings from both the online survey and the interviews confirmed the difficulty in measuring and quantifying CSR.

In answering RQ1, the synthesised results suggest significant relationships between having a CSR program and company size; company revenue; primary industry; company operations location; level of education of respondents. Significant relationships were also noted between CSR understanding and company size; company type; gender. There was also a significant relationship

between having a CSR program and company effectiveness in risk management. The integrated results suggested that CSR enables external stakeholders to understand the organisation's true value, both its tangible and intangible assets. Organisation value was further confirmed in the interviews.

### *8.3.2 Reflecting on Literature*

The respondents came from a range of companies that aligned with the general market size profile. This is consistent with the resources sector industry distribution, as noted by the Australian Bureau of Statistics, (2021) thus demonstrating a good sample fit. The spread of departments in which the respondents worked was wide-ranging. Respondents from the Health Safety and Environment (HSE) department comprised 38% of the total respondents, as illustrated in Figure 6-4. This was expected as it is aligned with the targeted sampling strategy adopted for this research, as suggested by Palinkas et al. (2015). The research targeted those involved in CSR or risk management in their organisations, as most CSR or risk practitioners are in the HSE department. Furthermore, the finding that females comprised a lower percentage than males in the respondent profiles reflects the actual composition within the sector and is similar to results by Doku (2019) and Hume, (2017), which indicated that the gender ratios in the resources sector currently sit at 3:1, male to female.

Over ninety percent (94%) of respondents rated themselves as either CSR experts or have some understanding of CSR. This is expected and validates the sampling technique used in this study to target those employees directly or indirectly responsible for their firms' CSR strategies. This provided a level of assurance that the respondents were familiar with CSR and therefore qualified to answer the survey as suggested by Fink, (2015). Another reason could be that the respondents were interested in the subject and found a connection with the topic of inquiry. Synthesised results confirm that CSR responsibilities sit in different departments within the organisations. This supports a similar pattern of results of organisational responsibility for CSR, and as suggested by Bonner and

Friedman (2014), that CSR is executed by people in different departments and roles in different organisations.

Results suggest that the level of education of the CSR practitioners was diverse ranging from non-degree to degree. Furthermore, there was a significant relationship between having a CSR program and one's level of education. This supports Quazi (2003), who proposed that the level of education and training status of corporate managers and their perceptions of CSR, has significant implications for the integration of CSR issues into Australian businesses. The popularity of ISO 14001 aligns with findings by D'Souza et al., (2019) that investing in ISO 14000 standards is also highly beneficial for developing strategies that support better marketing decisions. Therefore, many organisations take up environmental management standards such as ISO 14001 to demonstrate their responsible consumption strategies.

In line with previous research, achieving an SLO is one of the main drivers when considering the scope of operations for resources sector companies (e.g., Buhmann, 2016; Hall & Jeanneret, 2015). This is consistent with the legitimacy (Suchman, 1995) and stakeholder (Freeman, 1984) theories, particularly the evolution of the SLO aspects and the broader impact on society (social value sphere). CSR practices in the extractives industry in Australia are on a maturity continuum and thus extending the boundaries of previous research (e.g., Austin, 2000; Carroll, 1979; Castelló & Lozano, 2009). CSR is evolving from ad hoc philanthropy to strategic intent. From the results, it became evident that the term CSR is now outdated, and practices are evolving into the sphere of social value and social performance, with a focus on the overall well-being of society, as noted by Li and Wu, (2020). This is a result of increased scrutiny of corporate behaviour, as noted by Basu and Palazzo (2008), as well as heightened expectations and demands by stakeholders for companies. The findings support the greater need for CSR to evolve from a purely normative perspective towards a more strategic understanding of social and environmental issue management,

thus supporting Castelló and Lozano's (2009) earlier suggestion. The results, therefore, suggest that currently, CSR in the extractives sector is largely economic, transactional, and relational.

Most of the extant literature relating to the implementation of CSR generally accepts that CSR maturity is evolutionary, or a three-stage continuum starting from the philanthropic/unstrategic phase to a transactional phase and then to an integrative/strategic stage (e.g., Austin, 2000; Carroll, 1979; Castelló & Lozano, 2009). This study, therefore, contributes to and augments the current literature by providing evidence and new perspectives on the CSR continuum, namely that some participants in the extractives sector have moved beyond nominal CSR practices while others have not. However, it also exposes areas that need further research, particularly ground truthing the impact of CSR on communities, a considered and key risk for the extractives sector as noted by EY, (2021). The results, therefore, support recent research, revealing that to effectively understand how an SLO in mining, oil, and gas sector development is granted and maintained, there is a need to take account of the processes mining companies use to engage with local communities; for example, the work currently undertaken by CRC-TiME in mine rehabilitation, and discussed in section 2.7 (CRC-TiME, 2020).

These findings support the legitimacy theory by Suchman (1995), where companies undertake activities to present a socially responsible image as a way of legitimising their behaviours to their stakeholder groups. From the findings, it is evident that resource companies and organisations understand that CSR has become an important factor for sustainable success, thereby supporting previous research (e.g., Aras & Crowther, 2013; Brueckner, 2014; Cantrell et al., 2015; Carroll & Shabana, 2010; Louche et al., 2017). The findings are consistent with prior research that CSR brings a wide range of benefits to the organisation, including improved organisational reputation and brand loyalty (e.g., David, 2011; Minor & Morgan, 2011; Neef, 2012); supports organisational growth; greater

attraction and retention of talented staff; improved accessibility to capital (e.g. Benlemlih, 2017); and improved financial performance (e.g. Carroll & Shabana, 2010; Tang et al., 2012). However, the findings confirmed that measuring and quantifying CSR efficiency was difficult.

The relationship between understanding CSR and the company's primary industry was significant. This may be due to several reasons. One reason might be that the extractives industry attracts a highly competent workforce (i.e. greater understanding of CSR) because it pays well relative to other industries as noted by Ross, (2013). Another reason might be because resource companies have relatively well-developed CSR programs, thus raising awareness within their organisations and ensuring that those programs are run by highly competent people. There was a significant relationship, between understanding CSR and company size. This can be explained by the fact that the larger the company, the greater the maturity of its systems, hence robust management systems.

However, Blombäck and Wigren (2009) argued that local embeddedness, corporate governance, and individual motivation have more impact in influencing a company's CSR activities than company size. This is echoed by Zbucea and Pînzaru (2017) who suggested that company size does not matter because "correctly tailored CSR strategies can be efficient for small and medium enterprises in meeting strategic business objectives." (p. 415) There was a significant relationship, between a company having a CSR program and company type (operator or service provider). This is particularly important when investigating why there are less elaborate CSR programs in service providers compared to operators. These findings are consistent with Eadie and Rafferty, (2014), who showed that service providers have limited resources and do not see CSR as value for money and are thus less motivated to engage in CSR than operators.

The results suggest a significant relationship between understanding CSR and a company's annual revenue. This is not unexpected, as companies with access to greater financial resources generally seem to have more elaborate CSR programs as noted by McWilliams and Siegel, (2001) and Hasan and Habib, (2017). There was a significant relationship between a company having a CSR program and the company's operation location. This is not surprising as MNCs are more likely to have a CSR program than smaller companies (Baumann-Pauly et al., 2013). The relationship between a company having a CSR program and the number of employees was significant. This confirms that the larger the organisation, the higher the likelihood that it will have a CSR program. This supports previous findings by Ali et al. (2017) that CSR disclosure is affected by firm characteristics such as company size, industry sector, and profitability.

There was a significant relationship between understanding of CSR and respondents' department of work. Although interesting, it is not surprising, as CSR is both a specialised and multidisciplinary area spread across different company departments and hence most people in these departments tend to be knowledgeable about CSR. There was no significant relationship between having a CSR program and the company's primary industry. This confirms that CSR programs are a key feature of extractives industry companies due to the nature of their work irrespective of their location.

Overall, it can be concluded that company demographics influence the type and character of CSR present in the extractives industry in Australia. These factors include company operations' location, company size, company type (contractor or operator), gender balance, role type and department, company employee numbers, and company turnover. The study has unearthed a CSR that is largely economic, transactional, and relational with significant implications for the extractives sector. Given the sector's mounting challenges especially about community issues, this may not be sufficient. It is an area of further investigation where the CSR progress requires community ground truthing.

## 8.4 Critical Success Factors

### *8.4.1 Integrating findings*

RQ2 considered the CSFs (drivers, benefits, and barriers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation. The key findings from the survey were that the top CSR drivers are to gain an SLO; be seen to be socially and environmentally responsible; integrate ethics into company operations and investors. The main CSR benefits include improving organisational reputation and brand loyalty, organisational growth, and greater attraction and retention of talented staff. The survey identified the key CSR barriers as financial constraints, poor understanding of organisational benefits of CSR and inadequate training difficulty in measuring and quantifying CSR efficiency, poor understanding of external affairs, and social performance as a valued contributor. Key findings from the interviews were that strategic alliances are important for CSR success and CSR is influenced by leader values and strategic intent.

The online survey showed that 34% of the respondents were from the HSE department and the remainder were spread across all departments. This suggests that a considerable number of extractive sector companies have no dedicated CSR departments. From the survey, 18% of the respondents were from the executive team or board, which demonstrated a strong senior-level representation in the sample pool. Over three-quarters (80%) of the interview participants indicated that in addition to sufficient resourcing, such as a dedicated department or team, trained employees, transport, and time to support the CSR activities, proper planning was a key to success. The interview results confirmed that sometimes these responsibilities are delivered as part of other responsibilities. Integration of the survey and interview results show that resourcing and support for CSR varied among different types of organisations. Therefore, the results suggest that there is a need to establish CSR roles and

responsibilities to support delivery, an important factor in successful implementation.

The online survey identified stakeholder-related drivers as the top drivers. These included gaining and retaining SLO; being seen to be socially and environmentally responsible and integrating ethics into company operations, that CSR improves organisational reputation and brand loyalty, and that CSR supports greater attraction and retention of talented staff. Interviews reinforced the primary and secondary stakeholder pressure by highlighting, for example, CSR activities such as community funding, education, and local content initiatives. It was found that these activities have a direct bearing on the financial performance of the firm through higher return on investment in projects. This is due to improved reputation and customer perception of quality. Integrated results from the survey and interviews reveal the importance of strategic alliances in CSR success.

The interview results show that most participants observed that CSR motivation was driven by leader values and interests. In some organisation CSR was driven more by the hobbies and interests of the managers in the chair - seeing the tangible benefits of CSR as a motivator for the leader. Integration of both the survey and interview results suggests that seeing the tangible benefits of CSR acts as an incentive to leaders. Witnessing these outcomes firsthand presents a powerful case for developing strategic CSR and its crucial role in risk management. The benefits of a CSR enterprise, therefore, need to be clear and tangible. The survey results also show that CSR needs to be integrated with organisational objectives to be successful. Interviews further reinforced that enterprise value proposition has an impact on CSR direction.

Findings from the survey confirm that the top CSR barriers were financial constraints, lack of stakeholder awareness; poor understanding of the organisational benefits of CSR; shifting regulations, and over-regulation.

Interviews reinforced and elaborated on financial resourcing as a barrier, particularly in the context of competing priorities for resources in organisations. Interestingly, a small number of respondents noted that there were no barriers to CSR in their companies. The interviews reinforced this by suggesting that strategic alliances are important for CSR success. Synthesis of the survey and interview results show that primary and secondary stakeholder pressure was a key driver for CSR uptake. The interviews further confirmed that for contracting/service-providing companies, the desire to meet client requirements is a key motivation.

#### *8.4.2 Reflecting on Literature*

CSR drivers are the factors that pressure or motivate a company to adopt and implement CSR, whereas CSR benefits are the useful outcomes of CSR implementation (Zhang et al., 2019). Consistent with previous research, an SLO is one of the main drivers when considering the scope of operations for resource sector companies (Buhmann, 2016). This suggests that companies are using a stakeholder theory (Freeman, 1984) approach to CSR thus augmenting research on the motivations for CSR (Bice, 2017). Investor involvement was specifically mentioned as a driver. In addition, the overall organisational benefits of CSR were recognised as key drivers. Other key drivers were that: CSR improves organisational reputation and brand loyalty; CSR supports organisational growth, and CSR supports greater attraction and retention of talented staff as discussed in section 8.4.1.

The results suggest that strategic alliances are important for CSR success. These findings show primary and secondary stakeholder pressure as a key driver for CSR uptake. These findings are supported by Arendt and Brettel (2010), in that CSR influences corporate identity and image. Considering the evolution from traditional to strategic CSR, philanthropy was ranked last as a driver for CSR. Philanthropy alone is no longer considered a key driver of CSR, contrary to previous research (e.g., Cantrell et al., 2015; Hogarth et al., 2018; Porter &

Kramer, 2006). These results extend the prior research, confirming that CSR is no longer an effective strategy that can be used to soften or greenwash the impact of corporate scandals or corruption within an organisation, as noted by Visser et al., (2010). They also augment stakeholder and legitimacy theories in confirming that organisations undertake activities to demonstrate their responsible credentials.

The findings confirm that leader values influence the direction, context, and extent of CSR, thereby advancing the stewardship theory by Davis et al. (1997). The findings show that CSR needs to be integrated with organisational objectives to outline the enterprise value proposition. Furthermore, results suggest that management involvement in CSR is very important as it sets the vision for the organisation and allows resources to be dedicated to CSR. The top CSR barriers were financial constraints, poor understanding of the organisational benefits of CSR, and inadequate training and skills. Overall, these findings are supported by Laudal, (2011). There was particular emphasis on financial resourcing as a barrier (Laudal, 2011). Other barriers included shifting regulation and over-regulation; poor or limited capacity to communicate the benefits of CSR; difficulty in measuring and quantifying CSR efficiency; poor understanding of external affairs; and social performance as a value contributor and professional function. CSR has conflicting priorities with commercial imperatives and higher priorities such as safety as noted by Keinert, (2008).

It was notable that safety could be considered a competitor of CSR; however, seeing the two as competitors instead of mutually integrated could have been the result of weak systems' integration in the respondents' organisations. This contrasts with previous studies (Jain et al., 2011), which identified safety as a component of CSR. The most popular CSR standard was ISO 14001 Environmental management system, followed by GRI as illustrated in Figure 6-12. These basic findings are consistent with research by Arjalies and Mundy (2013) and show that extractives industry companies have adopted CSR

reporting standards. However, the popularity of ISO 14001 may be in the form of implementing processes that are aligned with the standard without seeking certification as noted by Bansal & Bogner, (2002).

In summary, strategic alliances are important for CSR success. The top CSR benefits are improving organisational reputation and brand loyalty, supporting organisational growth, and greater attraction and retention of talented staff. The top CSR drivers are to gain an SLO, be seen to be socially and environmentally responsible, and integrate ethics into company operations. Furthermore, CSR is influenced by leader values and strategic intent. The top CSR barriers were financial constraints, followed by a poor understanding of the organisational benefits of CSR and inadequate training and skills.

## **8.5 Risk Management in the Extractives Industry**

### *8.5.1 Integrating findings*

RQ3 examined the nature of risk management and the factors that affect risk management in the extractives industry in Australia. Key findings from the survey revealed that companies employ a range of risk management practices, and the top risks organisations face are operational risk, financial risk and strategic risk. As illustrated in Table 6-10, most of the benefits of risk management listed in the questionnaire were identified as important. However, top risk management benefits from the survey are identifying threats and opportunities that are not apparent to the company; ensuring regulatory compliance through effective coordination of regulatory and compliance matters; and reducing the number, type, and severity of adverse events, including third-party related incidents. The survey identifies the top risk management barriers as insufficient resources to manage risk, lack of knowledge to manage risk, poor communication throughout the organisation, inappropriate application of risk management frameworks and assessments, and impact of culture. Risk management effectiveness ranged between 3.2 and 4 out of a total of 5 for the organisations, and internal control is

well-established in over half of the companies. Key findings from the interviews were that a holistic and structured approach to risk management is important for managing risk, and that board involvement is key in managing risk.

The survey results confirm that risk management is important to organisations in the extractives sector in Australia. Interviews elaborated upon the survey findings by highlighting that companies employ a range of risk management practices. A small group of respondents stated that risk management was not very important to their company with no reasons provided as they did not participate in the interviews. Furthermore, the survey findings confirmed that the relationship between the importance of risk management to a company and the company's primary industry was not significant. Integrated survey and interview results show that most of the larger publicly listed companies have well-defined internal control strategies that are updated regularly, and board involvement is key in managing risk. However, the interviews expanded on doubts about the effectiveness of these controls considering recent corporate incidents with Rio Tinto's Juukan Gorge incident being the most cited. The interviews reinforced suggestions that a key weakness in risk management for some organisations is that bad news does not travel up the chain. This can impede effective communication while facilitating the continuation of bad business practices and failures up the organisation's hierarchy. Particularly, because managers control what they communicate up the chain due to self-preservation, this infringes on the role of CSR and risk management, which are supposed to support each other's intentions.

Over half the survey respondents stated that their company's risk management strategy was well-defined and updated regularly. The survey also confirmed that Enterprise Risk Management (ERM) is widely used in the extractives sector. The interviews expanded the survey findings and show that some organisations have adopted COSO's three lines of defence framework. Furthermore, the interviews provided an enhanced lens for understanding the difficulties experienced by

organisations in applying ERM in general and the COSO framework. The interviews further elaborated that firms adopt ERM to ensure the survival, growth, and perpetuity of their enterprises in an environment with strong technology integration, global competition, and an existing political, cultural, and economic context. The synthesised results confirmed that a holistic and structured approach to risk management is important.

The survey identified top barriers to risk management as: insufficient resources to manage risk; lack of knowledge to manage risk; poor communication throughout the organisation; and inappropriate application of risk management frameworks and assessments. The interviews further elaborated that there is poor understanding and implementation of COSO's three lines of defence in some organisations in the extractives sector. The integrated results suggest that key issues affecting COSO's three lines of defence implementation were a weak understanding of the framework and that it is an onerous process. This leads to companies resorting to a checklist approach, which fails to align the framework to the company size and risks, inadequate training programs on ethics, and inadequate reinforcement by the top and middle management.

The survey findings also show that organisations were strong in overall risk appetite; had board-level expertise regarding risk management; and risk function expertise at the operational and project level. Furthermore, the survey results indicate that the larger extractives industry companies are effective in instilling and maintaining a risk awareness culture. Interviews elaborated on the impact of culture on effective risk management in different forms, particularly poor risk management culture at lower levels influenced by an "it won't happen to me mentality" for smaller organisations. Another aspect of culture raised by the interviews, as a barrier to effective implementation of risk management by interviews, was the mindset of employees, particularly when there is no transparency or acknowledgement of risk and responsiveness. However integrated results suggest a lack of strong leadership in the risk management

function is not a top barrier to the successful implementation of risk management in this study. The integrated findings, therefore, suggest that the larger organisations in the extractives sector rely on management systems.

The survey indicates that there is a varying degree of board involvement in the risk management process. Interview findings expanded on this by confirming that the board drives the direction of the risk management programs and sets the risk appetite of the organisation and thus is a crucial component of risk management. The survey findings suggest that companies in the resources sector have strong board-level expertise in risk management to manage company risks. However, it was not confirmed in the study whether the board is informed or receives representative information of the true implications of the risks. This is particularly critical considering the decisions made by company boards that fail the test of ethical business practices or mitigate risks.

### *8.5.2 Reflecting on Literature*

The empirical findings confirm that companies employ a range of risk management practices as noted by Chang et al., (2020). The results confirm that risk management is important to organisations in the extractives sector in Australia, which is in line with extant research on risk management in the mining, oil, and gas industries (e.g., Andeobua, 2016; David, 2011). However, it was notable that a small group of respondents stated that risk management was not very important to their company and no reasons were provided as those respondents opted out of the interviews (Phase 2). This is significant because it raises questions as to why the participants thought risk management was not very important to their organisation. Unfortunately, this could not be followed up on as the respondents who returned this response opted out of the follow-up interviews (Phase 2).

Most of the benefits of risk management listed in the questionnaire were identified as important by the participants. This could be explained by the

importance of risk management to the extractives sector or the diversity in the sample of respondents, all who were connected to risk management in some way within the organisation. The other top benefits are that it ensures regulatory compliance through the effective coordination of regulatory compliance matters (Ciocoiu & Mosoia, 2016), it reduces the type and severity of adverse events, including third-party related incidents, and it supports business continuity and resilience. These benefits are confirmed by the current literature (e.g., Dobrea, 2012; Godfrey et al., 2009; Jain et al., 2011).

Consistent with prior research by Frederiksen (2018), it was not surprising that operational risk was stated as the most important risk affecting the business, followed by financial risk and strategic risk. Furthermore, there was no significant relationship between the importance of risk management to a company and the company's primary industry. A possible reason could be because the resource industry is a high-risk industry and as such all firms operating in both mining and the oil and gas sector agreed that risk management is important to their company. The research suggests that a holistic and structured approach to risk management is important. Enterprise Risk Management (ERM) is widely used in the extractives sector, with some organisations adopting COSO's three lines of defence framework. The research suggests that firms adopt ERM to ensure survival and sustained growth of their enterprises in a challenging environment, as noted by Oliveira et al., (2019). However, the findings suggest the adoption of risk management practices (in relation to ERM) is affected by several factors. The findings confirmed those by Prewett and Terry, (2018) that there is a poor understanding and implementation of COSO's three lines of defence in some organisations in the extractives sector. This augments the findings by Rogers and Ethridge (2013), who noted that companies were implementing ERM but with little regard as to how to implement it effectively.

In addressing RQ3 there is a consensus that the popularity of ERM has resulted from a response to pressure on organisations to holistically manage risk as noted

by previous researchers (e.g., Lu et al., 2020; McShane et al., 2011; Nocco & Stulz, 2006; Oliveira et al., 2019). The results pointed to the fact that all firms surveyed undertake some form of internal control and audits. This extends previous findings by Lundqvist (2014) who concluded that internal control is one of the four key pillars that form effective ERM. Larger publicly listed companies have well-defined internal control strategies that are updated regularly. This is a key part of effective ERM if implemented both to the letter and the spirit. However, findings suggest that the effectiveness of some of these controls has been tested by recent events. One of the most recent was the Juukan incident when Rio Tinto destroyed the Juukan Gorge caves. These caves were described by some as having “the highest archaeological significance in Australia” (The Guardian, 2020).

Harner (2010), identified a set of barriers to effective risk management. These included behavioural barriers such as cognitive bias, cultural barriers, and training. The top barriers to risk management identified in this research were insufficient resources to manage risk; lack of knowledge to manage risk; and poor communication throughout the organisation. The impact of culture on effective risk management was raised in different forms, particularly poor risk management culture at lower levels to incorporate risk management strategies influenced by an “it won’t happen to me mentality” for smaller organisations. Findings suggest that this is because they believe it will not happen to them, leading to poor planning which often results in the organisation being reactive rather than proactive. These findings are supported by Dandage et al., (2017). Furthermore, the findings indicate that some extractives industry companies are effective in instilling and maintaining a risk awareness culture.

Consistent with Brinkmann’s (2013) findings, this research reveals that risk awareness and responsibility are interdependent. This is because risk-taking triggers responsibility issues and not taking responsibility means risking being asked critical questions. This is an important finding as it supports the finding that

CSR positively impacts an organisation's attitude towards risk. Recent studies by Braumann et al., (2020) corroborate that the tone from the top drives risk awareness. The inappropriate application of risk management frameworks and assessments was raised as a barrier. It may be attributed to poor communication of the impacts and benefits of the risk management process in the organisation, compounded by the difficulty in demonstrating the direct tangible benefits of risk management in financial terms. Although the study confirms Harner's (2010) findings on culture and training, they do not find cognitive bias as a barrier.

While previous research has focused on the lack of commitment by leadership as a top barrier to a successful implementation of risk management (e.g., Dandage et al., 2017), the findings from this study demonstrate that it is not necessarily true. Lack of strong leadership in the risk management function was not a top barrier to a successful implementation of risk management in this study. This may be explained by the type of industry type the study focused on. The extractives sector is a high-risk industry and hence fluency in the importance of risk management may be higher than in other industries. As a result of this higher fluency and ownership of risk management throughout the organisation, the need for strong leadership is reduced as everyone in the organisation understands the importance of risk management and key practices. However, this fluency may also lead to complacency and the "it won't happen to me mentality" taking root as discussed earlier. Furthermore, the findings seem to suggest that large organisations in the extractives sector rely on management systems while the high-risk nature of the extractives industry supports a clear corporate understanding of the risks.

The findings suggest that a key issue with large organisations is that bad news does not travel up the chain as previously noted by Ben-Nasr and Ghouma, (2018) and that for some leaders, no news is good news as suggested by Chen and Chang, (2015). As a result, these leaders do not proactively review assurance in their organisations. Therefore, internal control and assurance

programs are sometimes ineffective as key information is managed before it reaches or does not reach the senior leadership level. The findings also confirm that there is a varying degree of board involvement and sophistication in the risk management process. In accordance with these results, previous findings have demonstrated that the board plays an effective role in steering the direction of ERM (Malik et al., 2020). This is consistent with previous findings by Galbreath (2016), which indicated that board resources can be complementary to management in positively affecting the firm's outcome. Consistent with previous research by Neef, (2012), this research found that resource companies had strong organisational effectiveness to manage risk at the operational level, including risk reporting.

In summary, conclusions from this section reveal that risk management is important to extractive sector companies and a holistic and structured approach is important for the success of risk management. From these findings, it can be deduced that for resources sector organisations, risk management systems and processes are not seriously impacted by a lack of strong leadership. Furthermore, board involvement is key in risk management in the extractive industry as it supports internal control processes. Operational risk is the top risk facing the extractives sector industry in Australia, which may be due to its nature, particularly the inward-looking bias by survey respondents. The industry experiences a wide range of risk management benefits. It also faces some barriers to effective risk management.

## **8.6 The Role of CSR in Risk Management**

### *8.6.1 Integrating findings*

RQ4 examined the impact of CSR on risk management in the extractives industry in Australia and how this relationship could support the development of holistic risk mitigation measures that can be used by the industry. Key findings from the survey were that 65% of respondents stated that CSR plays a positive role in the

management of their company's risks. Over half (55%) of the survey respondents stated CSR was integral to risk management. Reputational risk was seen as the top risk that CSR plays a role in managing, followed by compliance and regulatory risk, operational risk, and strategic risk. On the future of CSR's role in risk management, 89% of the survey respondents confirmed that CSR should be an integral component of their risk management. The survey identified factors supporting the integration of CSR and risk management as implementing CSR initiatives in overall company strategy and risk management, making sure the senior management team buys into the program, and promoting CSR as a driver for innovation and development in the organisation. Key findings from the interviews showed that CSR plays a positive role in risk management; quantifying and optimally communicating the benefits of CSR; supporting the integration of CSR and risk management and driving innovation in risk management; having a clear strategy is key for the successful integration of CSR and risk management; and that there are areas of conflict between CSR and risk management.

The survey findings confirmed that CSR plays a positive role in risk management in the extractives sector. What varies is the extent of the impact on the individual types of risk. Interviews elaborated that CSR has a role play in the three key stages of risk management: risk identification, risk assessment, risk control, and monitoring. The interviews suggested that CSR is playing a role in managing project risk, particularly where stakeholder interests are involved, such as community, regulators, employees, and trade unions. Therefore, these results provide evidence that CSR activities targeting both primary and secondary stakeholders provide opportunities for synergies with risk management practices. Furthermore, the results of the online survey confirm that CSR positively impacts an organisation's attitude towards risk. This was further reinforced by the interviews, thus confirming the recognition of the role of CSR in risk management.

Interviews confirmed that stakeholder pressure and the drive for sustainability (part of CSR) have seen companies move towards both reducing their carbon footprint and reducing their impact on climate change through decarbonisation. Participants highlighted initiatives within their companies to reduce carbon outputs such as the autonomous haulage trucks used by mining companies. The interviews suggested that these were pioneered by BHP and Rio Tinto in Australia and now other companies such as Fortescue have adopted similar strategies. This contributes to risk management in relation to the safety of the workforce by removing people from dangerous and unsafe situations. The interviews indicate that the link between CSR and risk management is evident in organisational attempts to provide for the well-being of society, as the burden of accountability driven by CSR ensures that companies look for new ways of doing business.

The survey identified that CSR supports innovation in risk management. The interviews elaborated by showing that most participants linked CSR to innovation in risk management in their organisations. Interviews suggested CSR programs were supporting innovation by dealing with issues such as social justice, poverty, and climate change. Examples of innovation highlighted by the interviews include innovation to promote conservation through partnerships, and as part of their CSR programs. These opportunities include improving systems; inventing new approaches; and creating solutions to change society for the better. Interviews explained that innovation is driven by people within the organisations and synthesised results suggest that the quality and competency of the workforce have a direct bearing on CSR and risk management outcomes. The synthesised findings suggest that successful organisations use CSR to frame these challenges as opportunities to innovate rather than as risks to be controlled and mitigated.

The online survey findings indicate an association between an understanding of CSR and the organisation having a well-defined risk management strategy. The

results confirmed a positive relationship between CSR having a positive impact on risk management and its effectiveness in overall risk expertise. One example cited in interviews was that CSR activities targeted at primary stakeholders, such as employer-sponsored volunteer activities, can support internal employee management and employee compliance by sharing information, facilitating cooperation, and enhancing alignment. The integrated survey and interview findings confirm that CSR strategy if executed well, can play an effective role if integrated into the overall organisational risk management strategy. Therefore, the integrated findings confirm that a clear strategy is a key to the success of CSR and risk management programs.

Findings from the online survey confirmed that in half of the surveyed organisations, CSR is an integral part of a company's risk management strategy. Those that stated CSR was an integral part of risk management, CSR was seen as playing a positive role in managing all the major risk groups. On the future of CSR's role in risk management, 89% confirmed that CSR should be an integral component of their risk management. Interviews reinforced this by confirming that poor integration of CSR and risk management results in resources not being deployed to support organisational operations, leading to weak outcomes from CSR investment. Implementing CSR initiatives in the overall organisational risk management strategy was seen as a key driver of CSR and risk management integration. Other factors that support the integration of the CSR and risk management processes were workforce education and communication. Furthermore, clearly outlining a relevant CSR philosophy in the organisation's vision was key to supporting the integration of CSR in risk management. However, the synthesised results also indicate that some organisations do not view the integration of CSR and risk management as good practice because combining the two areas dilutes the individual components and hence their effectiveness.

Furthermore, the synthesised results show that there are areas of conflict between CSR and risk management, with ransoms being one of the most controversial; for example, the anti-ransom codes versus how to respond in a kidnapping situation requiring paying a ransom to release company workers in one jurisdiction and yet in the company's home country it is prohibited. Another aspect cited was that of bribery and corruption, particularly how MNCs reconcile what is termed a bribe in one country but a facilitation fee in another country where they may want to do business. Facilitation fees are a key part of doing business in certain countries. However, this may be deemed corruption or bribery in another country, or the governance practices of the company may not recognise this as part of doing business. As such, in one society or jurisdiction what is termed 'bribery' may also be termed CSR.

Integrated results also suggest conflicting priorities in terms of expenditure and resourcing, such as commercial imperatives, and other priorities, such as safety. It was notable that safety would be considered by some participants as a competitor of CSR rather than mutually integrated. The potential conflict was also noted in the performance of the CSR strategy in terms of direct reporting. A few participants raised the potential conflict between CSR and risk management, particularly for those firms in the professional services industry. In summary, integrated findings suggest CSR has a positive impact on managing all the major risk groups in the company's risk management process. The results also confirm that CSR positively impacts the risk-taking attitude in the company. Most respondents agreed with the statement that CSR should be an integral component of the risk management approach and that their organisation's CSR activities play a positive role in managing their company's risks.

### *8.6.2 Reflecting on Literature*

Overall, the research confirmed that CSR has a positive impact on risk management in the extractives sector. CSR was seen as playing a positive role in managing all the major risk groups supporting previous work by Ciocoiu &

Mosoia, (2016). What varies is the extent of the impact on the individual types of risk. This is a new contribution to the body of knowledge on the holistic impact of CSR on risk management as extant research has predominantly focused on the impact of CSR on individual risks such as reputational and financial. The findings augment previous research that suggests CSR is evolving, and this includes integrating risk management aspects as noted in extant research (e.g., Bice et al., 2017; Cantrell et al., 2015; Castelló & Lozano, 2009). The findings add to the body of knowledge by confirming that CSR plays a key role in the three key stages of risk management: risk identification, risk assessment, risk control, and monitoring, particularly where stakeholder interests are involved, including the community, regulators, employees, and trade unions.

The results provide evidence that CSR activities targeting both primary and secondary stakeholders provide opportunities for synergies with risk management practices through the three key steps of risk management, namely, identification, assessment, and control and monitoring. This is consistent with the stakeholder theory by Freeman (1984) which advocates for the consideration of all stakeholder interests and concerns. The CSR impact is aligned with the stakeholder theory process of managing stakeholders, and as suggested by Mitchell et al. (1997) to identify stakeholders based on power, legitimacy, and urgency that could affect the firm. Similarly, CSR can influence risk management practices because the knowledge gained through a good CSR program leads to more robust risk identification and treatment. This is a significant contribution to the body of knowledge. The results support Kytle and Ruggie, (2005), where CSR programs represent an effective mechanism for addressing complex and evolving social risk issues across business enterprises. Therefore, the results suggest a model that pays the most attention to those legitimate stakeholder groups who have power, interest, and urgency.

Similarly, Ackermann and Eden, (2011) argue for power and interest (which also confirms Mitchell et al. 1997) and pay explicit attention to stakeholder networks

(Rowley, 2003). However, this seems to be falling short considering the continued problems the extractives industry faces with its key stakeholders, that is, its communities. This is because communities feel that mining companies are only focusing on what benefits them, as noted by Banerjee, (2008; 2014) and Brueckner and Manum, (2007). The positive impact on risk management by CSR is further confirmed by the top three benefits of CSR from this study's findings. The top benefit of CSR was that it ensures regulatory compliance through the effective coordination of regulatory compliance. These research findings fall within the sphere of risk management and extend the current knowledge (e.g., Dobrea, 2012; Godfrey et al., 2009; Jain et al., 2011).

The synthesised results also suggest that CSR has two different effects on risks: a risk-reduction effect and an insurance-like effect. The empirical findings from this research provide a possible explanation for these two effects. From the results it was evident that organisations with a better CSR performance were more likely to adopt an integrated risk management approach, serving both directly and indirectly as a mechanism for risk reduction. The findings confirm that organisations have internal control and assurance programs in place. This augments the agency theory by Jensen & Meckling (1994) which stipulates some form of control mechanism to curb self-serving behaviours. However, the internal control and assurance programs are sometimes ineffective as key information is managed before it reaches or does reach the senior leadership level. The study indicates varying degrees of board involvement and sophistication in the risk management process. This supports agency theory by proving identifying risks and providing internal control mechanisms is worth the effort for business, as noted by Walsh and Seward (1990).

The findings suggest a clear strategy is a key to the success of CSR and risk management programs. This is supported by an association between an understanding of CSR and the organisation having a well-defined risk management strategy. This is a new finding that demonstrates a clear

relationship between CSR and risk management. However, care must be taken when interpreting this as there is a risk of self-fulfilling behaviour or confirmation bias as noted by Nickerson (1998), therefore, this relationship needs to be tested further. These results build on existing evidence that companies with a CSR program have a well-defined risk management strategy that is updated regularly as suggested in extant literature by Kytte and Ruggie, (2005). Furthermore, these results should be taken into consideration when considering the relationship between the maturity of the risk management strategy and having a CSR program because risk management programs should go beyond mere liability or compliance into value generation through business efficiency.

The synthesised results confirmed that CSR is becoming an integral part of risk management strategic planning. This advances early calls for CSR integration with risk and other governance practices (e.g., Young & Thyl 2009; Young & Marais, 2012). Thus, by relating CSR practices to risk management practices in the extractives industry in Australia, this study extends the previous literature on corporate internal fit by Yuan et al., (2011). The concept of internal fit implies a reduction or elimination of internal inertia in business operations and thus leads to value-preserving rather than value-creating processes as suggested by Gallego-Álvarez et al. (2011). One clear strategy from the findings was that CSR should be an integral component of risk management. These findings are a contribution to knowledge as they provide insight that for the extractives industry in Australia, CSR has started to play an integral role in risk management. This is a significant contribution to knowledge and practice as it supports previous research by Albuquerque et al., (2019) who argues that companies who integrate the learnings and innovations gained from CSR programs, better manage their risks. From increased management of the risks, they gain competitive advantage through the economic, social, and environmental impacts supporting previous research (e.g., Ciocoiu & Mosoia, 2016; Frederiksen, 2018; Lu et al., 2020; Story & Price, 2006).

Another factor that enhances the integration of CSR and risk management was a collaboration with peers on partnerships and moving beyond CSR to a strategic ESG approach that adds value to an organisation's enterprise. Poor integration of CSR and risk management results in resources not being deployed to support organisational operations, leading to weak outcomes from CSR investment as noted by Frederiksen, (2018). Implementing CSR initiatives in the overall organisational risk management strategy was seen as a key driver of CSR and risk management integration. Other factors that support the integration of the CSR and risk management processes were workforce education and communication, the results of CSR efforts. Furthermore, clearly outlining a relevant CSR philosophy in the organisation's vision was key to supporting the integration of CSR in risk management in an organisation. These findings on integration build on previous work (e.g., Albuquerque et al., 2019; Dobrea, 2012; Frederiksen, 2018; Lu et al., 2020) to contribute to a clearer understanding of ways to optimise the outcomes of CSR as an integral part of risk management.

For some organisations CSR has not been integrated into risk management systems. This may be because of the split between contractors and operators, as these companies have a different level of focus when it comes to CSR and risk management strategy. These findings are not surprising as they are consistent with previous research by Loosemore et al. (2018), who concluded that construction contractors in Australia use a compliance-based approach to CSR. This compliance-based approach focuses mainly on environmental and safety issues with their social dimension yet to mature, particularly in the areas of community interaction. This echoed earlier research by Eadie and Rafferty (2014), who concluded that contractors struggle to see the perceived value for money of CSR and hence do not see the reason to improve performance beyond compliance requirements.

Therefore, it can be argued that smaller organisations and service providers have fewer resources to commit to developing elaborate CSR and risk management

systems. The results suggest that social value encompasses the significance of the historic environment to contemporary communities, including people's sense of identity, belonging, and place as well as forms of memory and spiritual association as noted by Jones (2017). A key example recently in Australia was the subsequent fallout from the Juukan Gorge incident, which highlighted the problems, dilemmas, and opportunities surrounding approaches to social value in heritage conservation and management as noted by Leigh et al., (2020) and Natalie, (2020). Therefore, these findings reinforced that the social value approach underpinned by CSR plays a more dynamic role in identifying key threats to the business.

The results support previous findings by Ratajczak and Szutowski (2016), that companies strong in CSR are also highly innovative. Moreover, Rexhepi et al., (2013) argued that CSR and innovation are the foundation of business competencies. However, despite growing academic attention to the relationship, there is still a substantial lack of knowledge on the conditions in which the innovation and CSR relationship appear and develop (Ciocoiu & Mosoia, 2016; Ratajczak & Szutowski, 2016). Therefore, by confirming that CSR drives innovation in risk management, this study provided an embryonic window through which to understand the interaction between CSR and innovation. Furthermore, this embryonic window may facilitate further research into this area to gain a full understanding of the interaction between CSR and innovation, as illustrated in Figure 7-2.

Furthermore, Gallego-Álvarez et al., (2011) suggested that focusing on CSR can also harm innovation by drawing managerial attention away from innovation towards CSR activities. However, the results from this study demonstrate that it is not necessarily true. The findings confirmed that CSR and innovation are complementary, and CSR is driving innovation in risk management in the extractives industry in Australia. Therefore, this research suggests that as organisational CSR programs evolve towards social value, the process of

evolution supports innovation in dealing with issues such as social justice, poverty, and climate change. A similar pattern of results was reached by Gallego-Álvarez et al., (2011), although their study was not in the context of the extractives sector.

The findings also suggest that quantifying and optimally communicating the benefits of CSR in risk management supports the integration of CSR and risk management. However, the results also indicate that some organisations do not view it as good practice to integrate CSR and risk management because combining the two areas dilutes the individual components and hence their effectiveness. This is supported by the finding that there are areas of conflict between CSR and risk management. The findings from this study augment the findings by Lu et al. (2020) while going further to outline the levels of integration and CSR intervention in risk management. As suggested by Ciocoiu and Mosoia, (2016), firms benefit from integrating and aligning strategic advantages within and across the firm in a holistic manner. This provides CSR activities with an opportunity to facilitate the integration of risk management practices.

In summary, the synthesised results confirmed that CSR plays a positive role in managing risk. However, for CSR to fully play its role in risk management, there is a greater need to integrate CSR and risk management processes to realise full benefits. These CSR risk management benefits need to be communicated throughout the organisation for leverage. Finally, CSR plays a role in innovation.

## **8.7 Conclusion**

Overall, this study confirmed that CSR plays a positive role in risk management in the extractives sector in Australia and helps us to reflect on the increasing strategic importance of CSR practices in risk management. Risk management is based on a set framework and established methodology. CSR can be efficiently implemented in already existing company risk management processes. In conclusion, the findings confirm that CSR is about risk management, and risk

management is about CSR; therefore, integrating the two processes of risk can lead to immense benefits for the extractives sector in Australia. The implications of the contribution to knowledge (theory and practice) from these findings are discussed in Chapter 9.

# Chapter 9 Conclusion

## 9.1 Introduction

This thesis aimed to examine the role of CSR in risk management in the extractives industry in Australia. This closing chapter concludes the thesis by answering the following research questions:

- RQ1: What are the nature and characteristics of CSR in the extractives industry in Australia and can the positive aspects of CSR be leveraged to enhance value to business?
- RQ2: What are the Critical Success Factors (benefits, barriers, and drivers) for successful implementation of CSR in the extractives industry in Australia that support CSR uptake and implementation?
- RQ3: What is the nature of risk management and the factors that affect risk management in the extractives industry in Australia?
- RQ4: What is the impact of CSR on risk management in the extractives industry in Australia and how can this relationship support the development of holistic risk mitigation measures that can be used by the industry?

The chapter is structured as follows. Section 9.2 discusses the study's new knowledge contributions in the context of theoretical implications. Section 9.3 addresses the study's new knowledge contributions to managerial practice. Section 9.4 discusses the study's limitations. Section 9.5 addresses the directions for future research. Section 9.6 concludes the thesis.

## 9.2 Contribution to Theory

The primary theoretical motivation for this study is to address the gap in the research whereby the holistic role of CSR in risk management is not yet fully understood. It also sought to understand the type of CSR in Australia's extractive industry in the context of theoretical frameworks underpinning CSR approaches namely stakeholder theory, agency theory, legitimacy theory, and stewardship theory. This research, therefore, moves the discourse on CSR forward by

empirically exploring the role of CSR in risk management in the extractives sector. In doing so, the study contributed in different ways to the key theoretical frameworks underpinning CSR approaches namely stakeholder, agency, legitimacy, and stewardship theories. In this light the results from this study demonstrate a CSR that is progressively leaning towards stakeholder theory, legitimacy theory, and stewardship theory while moving away from agency theory.

The study contributed to stakeholder theory by confirming that overall, CSR practices in the extractives industry in Australia are evolving on a maturity continuum and the SLO is evolving into social value while philanthropy is losing its previously held position as a key driver of CSR. In line with previous research, the study demonstrated that achieving an SLO is one of the main drivers when considering the scope of operations for resources sector companies (e.g., Buhmann, 2016; Hall & Jeanneret, 2015). This is consistent with the legitimacy (Suchman, 1995) and stakeholder (Freeman, 1984) theories, particularly the evolution of the SLO aspects and the broader impact on society (social value sphere). However, in doing so the study has unearthed a CSR that is largely economic, transactional, and relational. This has significant implications for the extractives sector. Whether or not this is sufficient given the sector's mounting challenges from the community remains to be seen. Moreover, it seems to support other leading researchers who criticise CSR and SLO as being unable to deliver on their promise of delivering win-win outcomes for companies and the communities in which they operate (e.g., Brueckner & Mamun, 2010; Banerjee, 2008; 2012; Wood 2010).

The study advances the stakeholder and legitimacy theories by suggesting that CSR as social value encompasses the significance of the historic environment/heritage to contemporary communities (Jones, 2017). The study findings reinforced this by suggesting that a mere liability and compliance-based approach to risk management is not effective. This is reinforced by the results

pointing to companies undertaking activities that align with the boundaries set by societal norms and values so as to legitimise (Legitimacy theory) their activities in the eyes of the communities they operate in. This is supported by the study confirming that companies are undertaking stakeholder surveys to fully understand the stakeholder needs and interests so that they can tailor their responses addressing these stakeholder needs. Therefore, the study provides insight into extant knowledge that CSR is playing a role in managing risk, particularly where stakeholder interests are involved, including the community, regulators, employees, and trade unions. In doing so the study advances the stakeholder theory by Freeman (1984).

Despite this economic transactional and relational model of CSR that leans towards agency theory, some aspects are driven by the need for legitimacy and meeting stakeholder needs. This is especially the case for contracting and service providers, who are driven by the desire to meet client requirements as a key motivation. This study supports stakeholder (Freeman, 1984) theory by confirming primary and secondary stakeholder pressure as a key driver for CSR uptake. It also supports and legitimacy (Suchman, 1995) theory by confirming that the companies undertake activities to legitimise their activities in the eyes of their stakeholders. Furthermore, the findings that companies undertake activities to present a socially responsible image as a way of legitimising their behaviours to their stakeholder groups support the legitimacy theory by Suchman (1995). From the findings, it is evident that resource companies and organisations understand that CSR has become an important factor for sustainable success, thereby supporting previous research. Therefore, this study goes beyond extant knowledge of stakeholder theory and legitimacy theory, demonstrating the different motivations to adopt and implement CSR.

The finding that strategic alliances are important for CSR success in the form primary and secondary stakeholder pressure as a key driver for CSR uptake advance stakeholder theory. These findings are supported by Arendt and Brettel

(2010), in that CSR influences corporate identity and image in line with the legitimacy theory by Suchman (1995). This study, therefore, extends the prior research, confirming that CSR is no longer an effective strategy that can be used to soften or greenwash the impact of corporate scandals or corruption within an organisation, as noted by Visser et al., (2010). They also augment stakeholder and legitimacy theories in confirming that organisations undertake activities to demonstrate their responsible credentials particularly through transparency. The study confirms that transparency through disclosure of ESG performance is an important aspect of a company's CSR programs and activities to legitimise its activities in line with the legitimacy theory.

In relation to Agency theory, the results that all firms surveyed undertake some form of internal control and audits supports Agency theory which advocates for internal control as one of its governance mechanisms. These results extend previous findings by Lundqvist (2014) who noted internal control as one of the four key pillars of effective ERM. In confirming that adequate monitoring mechanisms are part and parcel of CSR, the study demonstrates the impact of agency theory on CSR and risk management in the Extractives sector in Australia. In this light the finding that CSR positively impacts an organisation's attitude towards risk minimises agency seeking behaviour and advances both legitimacy theory and stewardship theories.

The findings that there is a varying degree of board involvement and sophistication in the risk management process further demonstrates the impact of agency theory on CSR approach adopted by the companies. In accordance with these results, previous findings have demonstrated that the board plays an effective role in steering the direction of ERM (Malik et al., 2020). The study confirmed that understanding the role of shareholders as stakeholders was key to the success of CSR in the future. This is contrary to agency theory, which assumes the complete separation of personal interest and shareholder interest. The results suggest that this is no longer the case in some larger mining

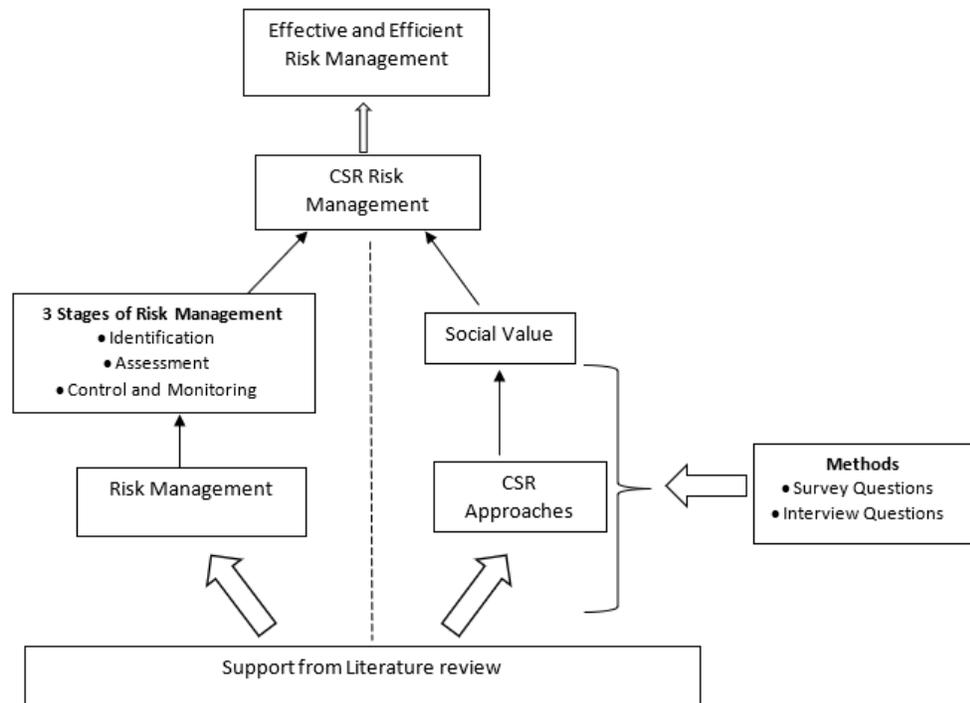
companies, as employees now form a considerable percentage of shareholding thus introducing a new level of complexity. Therefore, study findings extend the understanding and bring a new awareness to the impact of agency theory on CSR while advancing stakeholder, legitimacy, and stewardship theories.

In terms of stewardship theory, the findings confirm that for some company's leader values influence the direction, context, and extent of CSR, thereby advancing the stewardship theory by Davis et al. (1997). In this context some managers in the extractive sector are acting as responsible stewards of the assets they control. This finding is important as it is contrary to agency theory which proposes that managers have the potential to engage in self-serving behaviour rather than pro-organisational behaviour. However, CSR needs to be integrated with organisational objectives to outline the enterprise value proposition. Furthermore, study confirms that management involvement in CSR is very important as it sets the vision for the organisation and allows resources to be dedicated to CSR.

The study also extends the current literature on stakeholder, legitimacy and stewardship theories by providing evidence and new perspectives on CSR's role as ESG. Particularly, considering that when this study was conceptualised, ESG was not in the top five categories of issues facing the mining industry according to the extant literature on extractive industry market trends (e.g., EY, 2016). This connection is therefore made in the context of ESG, because ESG has recently been shown to have high financial, opportunity, and personal costs to the extractives industry as they are among the largest risk concerns in the sector (EY, 2021; PwC, 2021). However, the limited understanding of the role of CSR has historically led to difficulties in demonstrating that CSR as ESG can play a critical role in organisational risk management, particularly its influence on organisational strategy and performance in the extractives sector.

To address this gap, this study proposes a framework that demonstrates the impact of CSR in the three key stages of risk management: risk identification, risk assessment, risk control, and monitoring as shown in Figure 9.1. Furthermore, this framework identifies the holistic role – both vertically (all levels of the organisation) and horizontally (across the society, the environment, and the economy) – of CSR as ESG in risk management, as explained earlier in Sections 1.1 and 1.4.

**Figure 9.1: Framework for Impact of CSR in Risk management**



The framework (Fig 9.1) is based on the fact that the study shows a significant relationship between having a CSR program and company effectiveness in risk management, confirming that CSR can have a holistic role in risk management. This synergy is created because good CSR performance provides a company with unique information regarding the social risks and stakeholder concerns in the risk identification and assessment process. This is a significant contribution to the body of knowledge particularly advancing the stakeholder (Freeman, 1984) and legitimacy (Suchman, 1995) theories. This framework (Figure 9.1) therefore presents a useful theoretical approach to understanding how CSR can support

the process of risk management in the extractives sector in Australia. Such an approach to CSR can arguably be applied in other industries.

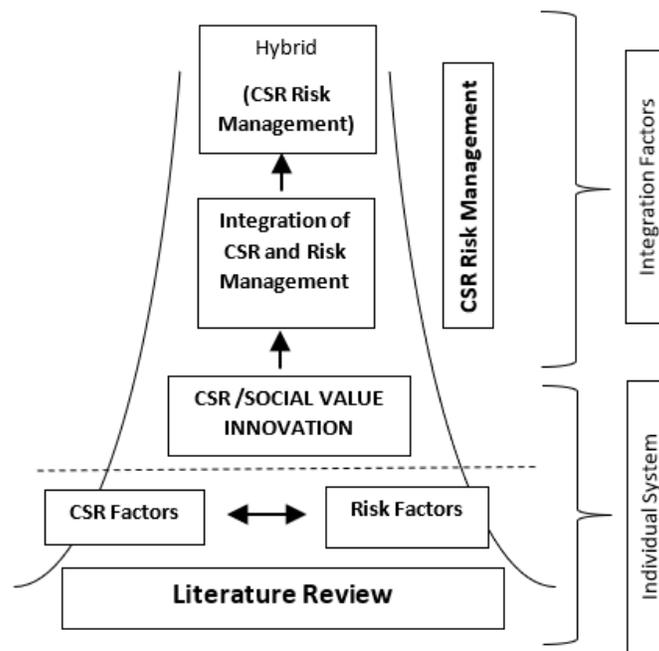
From these opportunities, for CSR to play a role in different stages of risk management, the study suggests that a clear strategy is key to the success of CSR and risk management programs. This is supported by an association between an understanding of CSR and the organisation having a well-defined risk management strategy. Demonstrating such a clear relationship between CSR and risk management is a significant contribution to theory. Therefore, a well-designed and competently executed CSR strategy aligned with organisational strategic goals is critical to organisational success. One clear strategy from the findings was that CSR should be an integral component of risk management. This is a significant contribution to the body of knowledge as it advances both stakeholder and legitimacy theories. Furthermore, it augments the stewardship theory while going further to outline the levels of integration and CSR intervention in risk management.

Therefore, these levels of integration and CSR intervention in risk management are a significant contribution to theory as they provide evidence that for the extractives industry in Australia, CSR is playing an integral role in risk management. Nevertheless, how to achieve this integration has not been fully explored in the extant literature and therefore not fully understood. To advance the integration of CSR and risk management, this study proposes a framework for the integration of the two disciplines as illustrated in Figure 9.2 as a progression from the impact of CSR in risk management framework as presented in Figure 9.1.

The model proposed in Figure 9.2 supports the transition from stakeholder approaches towards legitimacy and eventually stewardship or a blend of all three approaches. Figure 9.2 summarises the outcome of this research starting from literature review to understand CSR and risk management factors in the context

of the individual management systems. These CSR and risk management factors are then considered in the context of ESG aspects previously discussed in section 4.2. This framework is underpinned by available literature which shows the existing separation between CSR and risk management systems. However, this study indicates that innovation and associated factors, can bring CSR and together resulting in the integration of both programs into a hybrid CSR / Risk management system. This model primarily leverages on the impact of CSR on the 3 stages of risk management, namely, identification, assessment, control and monitoring as illustrated in figure 9.1.

**Figure 9.2: Proposed Integration Framework for CSR and Risk Management (Hybrid)**



The study confirms that clearly outlining a relevant CSR philosophy into the organisation’s vision is key to supporting the integration of CSR in risk management in an organisation. The findings on integration build on previous work (e.g., Albuquerque et al., 2019; Dobrea, 2012; Frederiksen, 2018; Lu et al., 2020) to contribute to a clearer understanding of how to optimise the outcomes of CSR as an integral part of risk management.

The findings confirmed that CSR and innovation are complementary, and CSR is driving innovation in risk management in the extractives industry in Australia. This is a significant contribution to the body of knowledge as it provides evidence to support CSR's role in innovation. Nevertheless, the findings confirmed that successful organisations use CSR to frame these challenges as opportunities to innovate rather than as risks to be controlled and mitigated. These opportunities include improving systems, inventing new approaches, and creating solutions to change society for the better. These findings further augment the findings by Rexhepi et al. (2013) that CSR and innovation are key business competencies and that enterprises can create value and competitive advantage by proactively addressing issues of social justice, poverty, and climate change as opportunities for innovation, rather than risks to be alleviated.

To summarise, the theoretical contribution of this study into the role of CSR in Australia's extractives sector is that it has unearthed a CSR model that is largely economic, transactional, and relational. This type of CSR blends the different aspects of stakeholder, agency, legitimacy, and stewardship theories. Nevertheless, this allows the firm to strategically balance organisational risks and opportunities while also considering stakeholders' wants and needs. This model of CSR helps managers in the process of risk identification, assessment and control and monitoring but more can be done to allow community ground truthing. In supporting this, the study develops the argument to demonstrate the impact of CSR in risk management as illustrated in Figure 9.1. The study then completes the discussion by proposing an integration model, illustrated in Figure 9.2, to support the effective integration of CSR and risk management. This is a significant contribution to the body of knowledge and practice by demonstrating that CSR is a critical part of risk management and confirming the link between business success, CSR as social value, and risk management. Overall, the research confirmed that CSR has a holistic positive impact on risk management in the extractives sector. This is a new contribution to knowledge as it brings together the key theoretical frameworks underpinning CSR approaches, namely

stakeholder theory, agency theory, legitimacy theory, and stewardship theory to holistically support risk management.

### **9.3 Contribution to Practice**

This thesis provides new managerial insights into the role of CSR in risk management as follows. Despite the study unearthing a CSR model that is largely economic, transactional, and relational and speaks to implications for the extractives sector considering whether this is sufficient given the sector's mounting challenges. The CSR model still helps managers in the process of risk management, particularly in managing stakeholder interests including communities. This is critical considering that one of the main drivers of engaging in CSR by the extractive sector is gaining and retaining an SLO.

The study finds that integrating CSR and risk management programs represents an effective mechanism for addressing complex and evolving social risk issues across business enterprises. This finding is a significant contribution to practice as it provides insight into the extractives industry in Australia, where CSR as ESG plays an integral role in risk management. The extractive industry faces many challenges around community issues. This study, therefore, presents a mechanism and opportunity for managers to focus on the integration of CSR and risk management to ensure that CSR moves from the largely economic transactional and relational model to a win-win approach that delivers social value for all stakeholders. As such, it is important for managers to actively seek integration opportunities and synergies between CSR and risk management to identify complementarities for the benefit of the organisation.

Managers should communicate the benefits of CSR to ensure, smaller organisations with fewer resources, can focus their resources on high-impact activities. Clearly articulating the benefits of CSR allows the understanding of its value for money as many do not see the reason to improve performance beyond compliance requirements. This can be supported by a well-defined and

articulated CSR and risk management strategy. Forming strategic alliances with key stakeholders in executing CSR strategies can create a learning platform to understand stakeholder concerns and social trends and thereby, provide an opportunity to facilitate a corporate culture with better attention to social issues. Similarly, CSR can influence risk management practices because the knowledge gained through a good CSR program leads to more robust risk identification and management.

Successful implementation of CSR requires organisations to have a dedicated workforce with sufficient resourcing responsible for CSR; for example, a social performance (ESG) workforce, if they are to realise the full benefits of risk management. This includes allocating resources to manage CSR and the appointment of CSR focal points or champions to coordinate and drive implementation while shifting from the HSE focus. The nomination of a focal point supports managers in pulling together CSR programs and vision, driving the programs, and communicating the benefits and thus the successful implementation of CSR. Firms need to embed a culture of risk management into their organisation, particularly at the lower levels, to dispel the “it won’t happen to me” culture. Maintaining a sense of vulnerability across the organisation drives risk alertness and the agility to respond when required to both risk threats and opportunities. It is important to communicate the CSR vision within the organisation because the culture and attitude to CSR of the person who holds the leadership position have direct bearing on the company’s vision of CSR and risk management.

In summary, the study provides a significant contribution to managerial practice by demonstrating that managers can utilise CSR as a critical part of risk management and confirms the link between business success, CSR as social value, and risk management. Most importantly, managers can integrate CSR throughout the three key stages of risk management as summarised in Table 9.3:

risk identification, risk assessment, risk control, and monitoring to effectively manage risk while demonstrating CSR benefits to all stakeholders.

**Table 9.1: CSR contribution to different stages of risk management**

<b>Risk Management Stage</b>	<b>CSR contribution</b>
Risk Identification	Source of Environmental, Social and Governance (ESG) risks
Risk Assessment	Stakeholder engagement and consultation processes
Control and Monitoring	Aspects such as SLO form critical controls, Internal control, audits and stakeholder perception surveys support the monitoring process.

## 9.4 Study Limitations

This study, which evaluated a complex contemporary issue such as the role of CSR in risk management, faced some limitations. Despite the response rate to the survey being high, some of the responses had to be excluded from the analysis as they did not meet the 5% missing data threshold. Furthermore, it was difficult to follow up on survey responses when participants opted out of the next phase; for example, a few online survey participants stated that risk management was not very important to their company and no reasons were provided. This study was limited to the resources sector and as such the findings are largely limited to that sector and not generalisable. Further research would be required to understand similar relationships across different industry sectors.

Integrating the quantitative and qualitative data during analysis presented some challenges. Conducting a sequential MMR requires a multidisciplinary approach that can be challenging for one researcher. As each method must adhere to its standards for rigour, ensuring the appropriate quality of each component of an MMR study can be difficult. Although the quantitative sample was large enough, quantitative analyses require much larger sample sizes to obtain statistical significance than qualitative analyses, which require meeting goals of saturation and relevance. Nonetheless, having adequate statistical power and embedding a

qualitative sub-sample within a larger quantitative sample was useful in this study. Finally, MMR studies are labour intensive and require greater resources and time than those needed to conduct a single-method study. This was evident in this research, where conducting both methods sequentially required more time and resources.

## **9.5 Directions for Future Research**

The integration of quantitative and qualitative data in the form of an MMR study has the potential to strengthen the rigour and enrich the analysis and findings of the role of CSR in risk management. Despite this study providing new and enhanced insights into the role of CSR in risk management in the extractives industry in Australia, additional research is needed. Based on the findings of this study, the following recommendations are suggested. The findings reported in this study are derived from a study of the role of CSR in risk management in the extractives industry in Australia and may not be representative of mining activities in other regions or other industry sectors; thus, it should be replicated in other regions and industries.

The study has unearthed, a CSR which is largely economic, transactional, and relational. It is questionable whether this sufficiently addresses the resources sector's mounting challenges, particularly with legitimacy issues and SLO. Therefore, future research could undertake community ground-truthing to investigate CSR contribution and progress. Despite the growing academic attention to the relationship, there is still a substantial lack of knowledge on the conditions in which the innovation and CSR relationship appears and develops. Future research could look at the relationship between CSR and innovation.

This study has shown some weaknesses in the application of COSO's three lines of defence approach to ERM. Further research should focus on the influence of optimising the application of risk management tools. Future research could look at the hybridisation between ISO 26001 (CSR management system) and ISO

31001 (Risk management system). The study of the role of CSR in risk management helps us to reflect on the increasing strategic importance of CSR practices. However, further research could be developed to examine the configurations of sense-making dimensions that might provide a reliable basis for determining the authentic impact of CSR rather than evaluating activity inventories, which are open to manipulation and confirmation bias. Future research could look at the areas of conflict between CSR and risk management and find ways to carefully manage and harmonise them.

## **9.6 Conclusion**

Overall, this study confirmed that CSR plays a pivotal and positive role in risk management in the extractives sector in Australia and helps us to reflect on the increasing strategic importance of CSR practices in risk management. The instrumental, strategic and relational approach to CSR among the resource industry companies unearthed in this study, speaks to a CSR that can play a role in risk management. However, there also remain areas that are still ground-truthing as to the benefit of CSR, particularly community issues. Risk management is based on a set framework, with an established methodology. CSR can be effectively and efficiently implemented into existing company risk management processes.

In conclusion, CSR is about risk management, and risk management is about CSR; therefore, integrating the two processes (Figures 9.1 and 9.2) can lead to immense benefits for the extractives sector in Australia. Blending the best elements from legitimacy, stakeholder and stewardship theories and integrating them with risk management will ensure that CSR remains centrally poised in extractive industry discourse.

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# APPENDICES

## Appendix 1: PHD Timeline

Activity	Months from January 2017													
	4	8	12	16	20	24	28	32	36	40	44	48	52	56
Writing up proposal	C	C												
Candidacy Presentation	C	C												
Literature review	C	C	C	C	C									
Definition of the problem	C	C	C	C	C									
Questionnaire design			C	C	C	C	C							
Interview design			C	C	C	C	C							
Questionnaire Survey				C	C	C								
Interviews				C	C	C								
Data Processing				C	C	C	C							
Data analysis					C	C	C	C	C	C	C			
Thesis preparation					C	C	C	C	C	C	C	C	C	C
Submit draft for review								C	C	C	C	C	C	C
Integrate comments into draft									C	C	C	C	C	C
Submit Final Thesis												C	C	C

## Appendix 2: E-mail invitation to complete survey

Hello,

### **The role of Corporate Social Responsibility (CSR) in Risk Management: a major study by Curtin University Business School – Let us know what you think!**

Curtin University Human Research Ethics Committee (HREC) has approved this study (HREC number HRE 2019-0037)

As you may know **Corporate Social Responsibility (CSR) and Risk Management** are very important topics in an organisation. The critical question is whether industry is making effective use of the synergies between CSR and Risk Management systems.

I am a doctoral student at the School of Management at Curtin University of Technology. For my project, I am examining the **role of Corporate Social Responsibility (CSR) in Risk Management in the Australian Extractives Resources Sector**. Because you are involved in this sector, I am inviting you to participate in this research by completing this online survey. We are seeking your opinion to improve our understanding of this subject. ***In addition, may you kindly pass on the questionnaire to your extensive networks in the extractives industry?***

The following questionnaire should **only take about 9 to 12 minutes to complete. I would be grateful if you could complete this by the 8<sup>th</sup> of March 2019.**

#### **Follow this link to the Survey**

[https://curtin.au1.qualtrics.com/jfe/form/SV\\_cuOg7oJcELt5xHf](https://curtin.au1.qualtrics.com/jfe/form/SV_cuOg7oJcELt5xHf)

If you require additional information or have questions, please contact me at the number listed below or email me at [Emmanuel.munyikwa@postgrad.curtin.edu.au](mailto:Emmanuel.munyikwa@postgrad.curtin.edu.au). Alternatively, you can contact the project supervisor, Professor Fran Ackermann, at the School of Management on +61 8 9266 1835 or by email at [fran.ackermann@curtin.edu.au](mailto:fran.ackermann@curtin.edu.au). If you would like to receive a summary report of the research, please provide your details on the end of the questionnaire.

Please accept our sincere thanks for your assistance, your co-operation is sincerely appreciated. We understand that your time is extremely valuable, and we really appreciate your input.

Yours sincerely,

Emmanuel (Manu) Munyikwa  
PhD Research Student (0449746927)  
School of Management, Curtin Business School  
Curtin University of Technology

## Appendix 3: Survey Questionnaire

2/16/2021 Qualtrics Survey Software

Background

**Introduction**

Thank you for agreeing to participate in this survey to help us understand the benefits of CSR and Risk Management to your organisation.

Participation in this study is entirely voluntary and the answers will be treated in the strictest confidence. Only aggregated data will be published.

There is no compensation for responding but we would be delighted to offer you a summary of our key findings on completion of the study. Simply add your contact details at the end of the survey and we shall contact you on completion of the study.

Your participation and the data provided will enable us to understand the role of CSR in Risk Management in the extractives sector in Australia so please answer all questions as accurately and comprehensively as possible even if the wording may apparently look similar in some questions.

Curtin University Human Research Ethics Committee (HREC) has approved this study (HREC number 2019-0037). Should you wish to discuss the study with someone not directly involved, in particular, any matters concerning the conduct of the study or your rights as a participant, or you wish to make a confidential complaint, you may contact the Ethics Officer on (08) 9266 9223 or the Manager, Research Integrity on (08) 9266 7093 or email [hrec@curtin.edu.au](mailto:hrec@curtin.edu.au).

Please click on the arrow below to begin! 

**Background**

**Background**

**What is the primary industry of your company?**

Mining

Oil and Gas

Both Mining and Oil and Gas

**Your company operations are?**

Western Australia Only

Australia Wide

International

**How many employees are in your company?**

1-10

11-50

51-100

100-200

200-1000

1001-5000

5001 – 10,000

10,001 – 20,000

20,001 – 30,000

30,001 - 40,000

40,001 to 50,000

> 50,000

**What is the annual revenues of your company in \$AU?**

Less than 10 Million

10-100 Million

100- 500 Million

500-1000 Million

1000 - 2500 Million

2500 - 5000 Million

5000 - 10000 Million

Greater than 100000 Million

Don't know

**Which department are you currently working in?**

[https://curtin.au1.qualtrics.com/Q/EditSection/Blocks/Ajax/GetSurveyPrintPreview?ContextSurveyID=SV\\_cu0g7oJcELI5xHf&ContextLibraryID=UR\\_38brZ4pY7KCjBT7](https://curtin.au1.qualtrics.com/Q/EditSection/Blocks/Ajax/GetSurveyPrintPreview?ContextSurveyID=SV_cu0g7oJcELI5xHf&ContextLibraryID=UR_38brZ4pY7KCjBT7) 1/7

- Executive Team/Board
- Engineering
- Health Safety and Environment (HSE)
- Risk
- Finance
- Operations
- Human Resources
- Maintenance
- Procurement
- Finance
- Other

**Is your company?**

- an Operator
- a Services Provider/Contractor
- Other

**Indicate on which of the following stock exchanges your company is listed on? (You can select more than 1)**

- Australia Stock Exchange (ASX)
- London Stock Exchange (LSE)
- Johannesburg Stock Exchange (JSE)
- Tokyo Stock Exchange (TSE)
- Toronto Stock Exchange
- New York Stock Exchange
- Dow Jones
- Not Listed
- Other

**Perception and extent of CSR uptake in practice**

**Perception and extent of CSR uptake in practice**

**Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.**

***Some examples of CSR include (but are not limited to); Environmental Protection; charitable donations, not using child labour, inspection of supplier facilities, commitment to local community, fostering stakeholder (customer, community, employee, supplier) commitment, fair trade, utilising ethical business practices.***

**Please select the rating that is closest to how you understand CSR? Red = No understanding and Green = Expert**



**Do you agree with the following statement "My organization has a CSR Program"**

- Yes
- No
- Not Sure

**In your opinion, what are the benefits of CSR for your organisation? Rank the top 3 answer options (1 being the most important)**

- Improving organisational reputation and brand loyalty
- Operational costs savings.
- Improved financial performance

- Greater attraction and retention of talented staff
- Supports organisational growth
- Improved accessibility to capital
- Enabling external stakeholders to understand the organization's true value, and tangible and intangible assets
- Emphasizing the link between financial and non-financial performance
- Influencing long term management strategy and policy, and business plans
- Avoids organisation being implicated in publicized environmental, social and governance failure
- Other

**What do you see as the key drivers to your company's uptake of CSR? Rank the top 3 answer options (1 being the most important)**

- Stakeholder activism/ pressure
- Being seen to be socially and environmentally responsible
- Organizational commitment to transparency
- Integrating ethics into company operations
- Philanthropy
- Public relations exercise
- Fashion following - a trending phase after corporate scandals or corruption
- Institutional issues like public and private regulations rules regarding corporate behavior
- Reputation management
- Increase profitability
- To gain Licence to Operate
- To support risk management
- Divert attention of regulatory bodies, civil society and other stakeholders
- Market differentiation and competitive advantage
- Other

**What do you see as the key barriers to your company's uptake of CSR? Rank the top 3 answer options (1 being the most important)**

- Lack of stakeholder awareness
- Inadequate training and skills
- Poor understanding of the organisational benefits of CSR
- Financial constraints
- Lack of customer awareness
- Lack for concern for reputation
- Weak or inadequate regulations and standards
- Diversity resulting in conflicted organisational expectations
- Company culture not conducive
- Lack of social audits
- Lack of top management commitment
- Other

**Which reporting standards/ management systems does your company subscribe / report to? (You can select more than 1)**

- Global Reporting Initiative (GRI)
- UN - Global Compact
- IFC - Performance Standards on Social and Environmental Sustainability
- Sustainable Development Framework
- SA 8000
- ISO 14001 Environmental management
- Guiding Principles on Business and Human Rights
- ISO 26000 Guidance on Social Responsibility
- Guidebook on Engaging Communities in Extractive and Infrastructure Projects
- Extractive and Infrastructure Projects
- Sustainability Reporting Framework
- Equator Principles

- ISO 9001 Quality Management System
- ISO 31000 Risk Management System
- ISO 55000 Asset Management System
- ISO 45001/OHSAS 18001
- The Voluntary Principles on Security and Human Rights
- Other
- Don't Know

#### Risk Management Practice and Perception

#### Risk Management Practice and Perception

**The ISO 31000 Risk Management Standard simply defines risk as the effect of uncertainty on objectives. Risk may be a driver of strategic decisions, it may be a cause of uncertainty in the organisation or it may simply be embedded in the activities of the organisation.**

#### Risk management is very important to my company?

- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

#### What do you feel are the benefits of effective risk management in your organisation? (Select as many as are relevant)

- Identifies threats and opportunities that are not apparent to the company
- Provides insight and support to the board of directors
- Recognition and credit by regulators for cooperation in meeting compliance
- Supports defence to class action and civil suits
- Improved financial performance /cost reduction (e.g. through efficiency or avoid overpayment)
- Ensures regulatory compliance through effective coordination of regulatory and compliance matters
- Reduces number, type and severity of adverse events including third party related incidents
- Addressing internal compliance requirements
- Sustaining brand loyalty and customer retention
- Mitigation or reduction of potential loss after an event has occurred
- Reduced insurance premiums
- Supports business continuity
- Other (Please list)

#### Risk management strategy at our company is?

- Well defined and updated on regular basis.
- Well defined but not updated on a regular basis
- Neither well defined nor updated on a regular basis

#### What do you consider to be main barriers/challenges to effective risk management in your organisation? (You can select more than 1)

- No major challenges at present.
- Uncertainty over future regulation.
- Insufficient risk management processes, procedures, and tools.
- Poor communication throughout the organization.
- Lack of expertise at the board level.
- Insufficient real time data (i.e. insufficient management of information systems).
- Lack of strong leadership in the risk management function.
- Insufficient resources to manage risk
- Lack of knowledge to manage risk

- High costs of risk management
- Other

**My organisation is very effective in**

	Strongly disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Strongly agree	Don't Know
Overall risk expertise.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Board level expertise (in regards to risk management).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk function expertise at the operational level.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Integration of risk management across divisions/functions.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Real time risk management.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Installing/maintaining risk awareness culture.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk training at all levels.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Internal controls and auditing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Risk reporting.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aligning risk management, internal controls and auditing.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**The following risks affect my organisation? (Please rank them in terms of 1 = most impact and 6 = least impact). Drag the options up and down to shuffle them.**

- **Strategic Risk** (strategy becomes less effective and company struggles to reach its goals e.g. economic environment, country risk, competitors etc.)
- **Financial Risk** (sudden financial loss e.g. cash flow, share price crash, fraud, high debt, etc.)
- **Operational Risk** (unexpected failure in your company's day-to-day operation e.g. technology failure, health and safety incident etc.)
- **Compliance and Regulatory Risk** (laws and regulations that apply to your business e.g. Environmental regulations, Safety regulations etc.)
- **Reputation Risk** (impact on company brand and reputation)
- Other

**Risk Management and CSR**

**Risk Management and CSR**

It has been argued that CSR is an important part of the risk management process, which involves identifying risks, defining their impact/influence and determining ways to reduce the likelihood of risk and its consequences. The following questions are about the interaction between CSR and risk management.

**In my organisation CSR is an integral part of risk management?**

- Strongly disagree
- Disagree
- Neither agree or disagree
- Agree
- Strongly agree

**CSR plays a positive role in managing the following risks in my organisation?**

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree	Don't Know
Financial risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reputation Risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operational Risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Strategic Risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compliance and Regulatory Risk	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other <input style="width: 80px;" type="text"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Having a CSR program reduces risk taking attitude in my organisation?**

- Strongly disagree
- Disagree

- Neither Agree nor Disagree  
 Agree  
 Strongly agree

**What is your opinion on the following statement "The integration of CSR and Risk Management is a long-term investment for an organisation?"**

- Strongly Agree  
 Agree  
 Neither agree nor disagree  
 Disagree  
 Strongly disagree

**What could be done to improve the integration of CSR and Risk Management in your organisation?(Select as many as are relevant)**

- Clearly outline a relevant CSR philosophy into the organisational philosophy/vision.  
 Promote CSR as a driver for innovation and development in the organisation.  
 Make sure senior management team buys into the programme.  
 Communicate to the relevant stakeholders and celebrate the result of CSR efforts.  
 Implement your CSR initiatives in your overall strategy and risk management.  
 Put in place a well packaged reward and recognition system that applaud good responsible behaviour  
 The adoption and use of recognised management standards e.g. ISO 14001, ISO 9001, ISO 31000 etc.  
 Adapt systems to the latest trends especially in the era of digital transformation.  
 Effective stakeholder management including maintain regular consultation.  
 Other

**Please indicate the extent to which you agree or disagree with the following statement "My organisation's CSR activities play a positive role in the management of our risks"?**

- Strongly agree  
 Somewhat agree  
 Neither agree nor disagree  
 Somewhat disagree  
 Strongly disagree

#### Demographics

#### Demographics

**What is your gender?**

- Male  
 Female  
 Other

**What is your current position?**

- Executive Board Member  
 Non Executive Board Member  
 Chief Executive Officer (CEO)  
 Chief Risk Officer (CRO)  
 Chief Assurance Officer (CAO)  
 CSR Manager  
 HSE Manager  
 Environmental Manager  
 Finance Manager  
 Operations Manager  
 Risk Manager  
 Managing Director  
 Other

**What is your highest qualification?**

- PhD/Doctorate
  - Masters Degree
  - Bachelors Degree
  - Diploma
  - Trade/technical/vocational training
  - Certificate
  - Some high school, no diploma
  - Other
- 

**Thank you for completing the questionnaire. Your participation in this study is very much appreciated. If there are any additional comments that would be relevant to this study, please include them in the space provided below?**

**In order to receive the results from this survey please complete the following information. All individual details shall be held with the utmost confidentiality?**

First Name	<input type="text"/>
Surname	<input type="text"/>
Email	<input type="text"/>
Company	<input type="text"/>

**This is stage one of a two-part project and it is critical for us to evaluate the responses to as many of the questions as possible. If you would like to participate in stage two of this project please confirm at the end of the questionnaire. Please indicate by ticking the appropriate box, your willingness to participate in any follow-up discussions and /or focus groups?**

- YES. I am willing to discuss these issues further in a follow-up interview.
- NO. I do not wish to participate in any follow-up to this questionnaire.

#### Appendix 4: Interview Invitation

Thank you for supporting my research by answering questionnaire of my studies on the role of CSR in risk management in the Extractives Sector in Australia. You have expressed an interest in participating in the second phase of the study, therefore, I am writing to ask if you would be willing to take part in an interview. The purpose of the interview is to gain a deeper understanding of the role of CSR in risk management.

I aim to undertake the interviews during the month of September 2019. So please confirm when it suits you and we can fix date and time.

The interview will take approximately an hour. I am more than happy to meet you at your convenience or complete the interview through phone or skype and it would be great if we could have somewhere quiet.

Please find attached the Participant Information Statement (PIF). Also attached is the Consent Form (CF) for your signature.

I look forward to hearing from you soon.

Regards,

Manu

## Appendix 5: Interview Guide and Questions

### ***The role of Corporate Social Responsibility (CSR) in Risk Management: a major study by Curtin University Business School & Manu Munyikwa.***

#### **Introduction**

Thank you for agreeing to take part in this study. As you may know Corporate Social Responsibility (CSR) and risk management are very important topics in an organisation. The critical question is industry making effective use of the synergies between CSR and risk management systems.

I am a doctoral student at the School of Management at Curtin University of Technology examining the role of Corporate Social Responsibility (CSR) in Risk Management in the Australian Extractives Sector.

This is the second phase of the research to gain a deeper understanding of the topic.

**The answers will be treated in the strictest confidence.** The results from the interviews will be aggregated with the questionnaire results and analysed. Only aggregated data will be published.

We will share an executive summary of the research results with you at the end of the research.

#### **INTERVIEW QUESTIONS**

##### **CSR UNDERSTANDING**

1. Please provide a brief description of what your job function is?
2. What do you understand when you hear the term CSR?
  - i. Why did your company/organisation decide to implement CSR practices?
  - ii. What CSR practices has your company has implemented.
  - iii. Was it successful in meeting its purpose?

##### **CSR BARRIERS AND DRIVERS**

3. One of the areas I am interested in is in understanding the Critical Success Factors (CSF); benefits, barriers and drivers for successful uptake and implementation of CSR in your company. Let's start with what are the,
  - i. benefits for successful implementation of CSR in your company?
  - ii. barriers for successful implementation of CSR in your company?
  - iii. drivers for successful implementation of CSR in you company?
4. CSR Implementation
  - i. Who mostly contributes to its management e.g., reporting, relationship with board in your company?
5. How does CSR practices align with your organisational mission and their impact these CSR practices have had on your company?

##### **RISK MANAGEMENT**

6. What types of risks does your business face?

7. What is your company's risk management approach?
8. Why did your company choose that approach?
9. What inspired your company's adopted approach to risk management approach?
10. What are the strengths and weaknesses of the risk management approach in your company?
11. What factors affect the risk management approach adopted by your company?
12. How do you assess the effectiveness of overall controls in preventing risks and carrying out risk activities within the company?

***Board Participation***

13. As far as you know does your company's management involve the board timely to consider risk during the strategy-setting process, including when making decisions to accept or reject risk?
14. How does management do it and in what ways?

**CSR AND RISK MANAGEMENT**

15. Does CSR play a role in your company risk management approach?
  - i. If yes, why and how?
  - ii. If no, why?
16. From your experience, does CSR have a positive impact of CSR on risk management approaches in your company?
17. Do you think it is necessary for CSR to play a role in your risk management approaches?
  - i. If Yes - What do you think would assist in making CSR an integral component of your company's risk management?
  - ii. If No – Why?

## Appendix 6: Interviewee selection

The selection process has been based on the following preliminary analysis of survey results.

1. Complete Survey – 83% (Only left demographic details) and 100%
2. Said yes to Phase 2 -
3. CSR Knowledge – Expert or Some Understanding
4. Do you have CSR Program for your company?
5. Extra comments showing detailed understanding and willingness to share more information
6. Role – Senior roles but also good mix (Risk, HSE, Environmental Management, Operations)
7. Companies – Good representation to have rich data mix of size, oil and gas and mining, operator or contractor etc.
8. Operations coverage - Good mix of Western Australia ONLY, Australia wide and International

## Appendix 7: Participant Consent Form



*The role of Corporate Social Responsibility (CSR) in Risk Management: a major study*

### CONSENT FORM

<b>HREC Project Number:</b>	<i>HREC number 2019-0037</i>
<b>Project Title:</b>	<i>The role of Corporate Social Responsibility (CSR) in Risk Management: a major study</i>
<b>Chief Investigator:</b>	<i>Professor Fran Ackermann, Professor of Strategy and Risk</i>
<b>Student researcher:</b>	<i>Emmanuel Munyikwa</i>
<b>Version Number:</b>	<i>Version 1</i>
<b>Version Date:</b>	<i>30/01/2019</i>

- I have read, the information statement listed above and I understand its contents.
- I believe I understand the purpose, extent and possible risks of my involvement in this project.
- I voluntarily consent to take part in this research project.
- **I voluntarily consent to being audio recorded.**
- I have had an opportunity to ask questions and I am satisfied with the answers I have received.
- I understand that this project has been approved by Curtin University Human Research Ethics Committee and will be carried out in line with the National Statement on Ethical Conduct in Human Research (2007).
- I understand I will receive a copy of this Information Statement and Consent Form.

Participant Name	
Participant Signature	
Date	

Declaration by researcher: I have supplied an Information Letter and Consent Form to the participant who has signed above, and believe that they understand the purpose, extent and possible risks of their involvement in this project. (required for clinical trials; remove if not relevant e.g., online questionnaires)

Researcher Name	
Researcher Signature	
Date	

*Note: All parties signing the Consent Form must date their own signature.*

## Appendix 8: Participant Information Form



### *The role of Corporate Social Responsibility (CSR) in Risk Management: a major study*

#### **PARTICIPANT INFORMATION STATEMENT**

<b>HREC Project Number:</b>	<i>HREC number 2019-0037</i>
<b>Project Title:</b>	<b><i>The role of Corporate Social Responsibility (CSR) in Risk Management: a major study</i></b>
<b>Chief Investigator:</b>	<i>Professor Fran Ackermann, Professor of Strategy and Risk</i>
<b>Student researcher:</b>	<i>Emmanuel Munyikwa</i>
<b>Version Number:</b>	<i>Version 1</i>
<b>Version Date:</b>	<i>30/01/2019</i>

#### **What is the Project About?**

Corporate Social Responsibility (CSR) and Risk Management are very important considerations for an effectively run organisation. A critical question is, whether industry is making effective use of the synergies between CSR and risk management systems.

I am a doctoral student at the School of Management at Curtin University and I am examining the role of Corporate Social Responsibility (CSR) in Risk Management in the Australian Extractives Sector. Because you are involved in this sector, I am inviting you to participate in this research by completing this online survey. Your opinion will help improve our understanding of this subject.

#### **Who is doing the Research?**

The project is being conducted by Emmanuel (Manu) Munyikwa. The results of this research project will be used by Emmanuel (Manu) Munyikwa to obtain a Doctor of Philosophy at Curtin University.

#### **Why am I being asked to take part and what will I have to do?**

To conduct the research, we are looking for volunteers working in the extractives sector and you have been asked to take part because you are involved in this sector, I am inviting you to participate in this research by completing this online survey. We are seeking your opinion to improve our understanding of this subject.

The following questionnaire should only take about 9 to 12 minutes to complete. There will be no cost to you for taking part in this research and you will not be paid for taking part.

This is stage one of a two-part investigation. For the first part- the survey we would be grateful if you could be as accurate as possible as it is critical for us to evaluate the responses to as many of the questions as possible. The second part comprises in-depth interviews exploring the role in detail. If you would like to participate in stage two of this project please confirm at the end of the

**The role of Corporate Social Responsibility (CSR) in Risk Management: a major study**

questionnaire. Please indicate by ticking the appropriate box, your willingness to participate in any follow-up discussions?

In undertaking the interviews, unless you request otherwise, we will make a digital audio recording so we can ensure that we capture accurately and comprehensively your views. After the interview, we will make a full written copy of the recording which you are welcome to review.

**Are there any benefits' to being in the research project?**

There is no compensation for responding but we would be delighted to offer you a summary of our key findings on completion of the study. Simply add your contact details at the end of the survey and we shall contact you on completion of the study.

We hope the results of this research will allow us to:

- Understand the role of CSR in risk management leading to targeted responses in the management of risk.
- Develop mechanisms that enhance management and value to business at no extra cost by determining the positive and negative stereotypes of CSR and examining the underlying motivations and determinants of CSR.
- Develop risk management methodologies that add to the body of knowledge by identifying factors affecting risk management in the extractives industry in Australia and exploring the context of the implementation of CSR practices, importance of monitoring mechanisms in the way CSR practices are implemented by extractive industry firms.
- Introduce new lines of thought or enquiry that can be probed further by identifying the Critical Success Factors (CSF), motivations, barriers and drivers for successful implementation of CSR in extractives industry and business in general.

**Are there any risks, side-effects, discomforts or inconveniences from being in the research project?**

There are no foreseeable risks from this research project.

**Who will have access to my information?**

Participation in this study is entirely voluntary and the answers will be treated in the strictest confidence. Only aggregated data will be published.

Electronic data will be password-protected and hard copy data (including video or audio tapes) will be in locked storage

The information we collect in this study will be kept under secure conditions at Curtin University for 7 years after the research is published and then it will be destroyed.

The results of this research may be presented at conferences or published in professional journals. You will not be identified in any results that are published or presented.

**Will you tell me the results of the research?**

We will write to you at the end of the research and let you know the results of the research. Results will not be individual but based on all the information we collect and review as part of the research.

**Do I have to take part in the research project?**



**The role of Corporate Social Responsibility (CSR) in Risk Management: a major study**

Taking part in a research project is voluntary. It is your choice to take part or not. You do not have to agree if you do not want to. If you decide to take part and then change your mind, that is okay, you can withdraw from the project. If you choose not to take part or start and then stop the study, it will not affect your relationship with the University, staff or colleagues.

**What happens next and who can I contact about the research?**

If you require additional information or have questions, please contact me at the number listed below or email me at [Emmanuel.munyikwa@postgrad.curtin.edu.au](mailto:Emmanuel.munyikwa@postgrad.curtin.edu.au). Alternatively, you can contact the project supervisor, Professor Fran Ackermann, at the School of Management on +61 8 9266 1835 or by email at [fran.ackermann@curtin.edu.au](mailto:fran.ackermann@curtin.edu.au). If you would like to receive a summary report of the research, please provide your details on the end of the questionnaire

Curtin University Human Research Ethics Committee (HREC) has approved this study (HREC number 2019-0037). Should you wish to discuss the study with someone not directly involved, in particular, any matters concerning the conduct of the study or your rights as a participant, or you wish to make a confidential complaint, you may contact the Ethics Officer on (08) 9266 9223 or the Manager, Research Integrity on (08) 9266 7093 or email [hrec@curtin.edu.au](mailto:hrec@curtin.edu.au).

## Appendix 9: “Other” Respondent Departments

- External Relations x 2
- Also responsible for HSE and for information technology
- Projects
- Sustainability
- External Affairs x 2
- Social Performance
- Business Development O&G
- Environment
- Partner leading risk
- Security
- Social Impact
- Sales
- C&P
- Commercial x 2
- Government and Community
- External Affairs/Social Performance

# Appendix 10: NVIVO Extract

The screenshot displays the NVivo 12 Pro interface for a project titled "The role of CSR in Risk Management.nv". The central pane shows a list of nodes with columns for Name, Files, and References. The node "CSR Motivation" is selected, and its details are shown in the right-hand pane.

Name	Files	References
Clarity of who they are speaking about	1	2
Interviewee Role in Company	2	3
Perception and uptake of CSR in the Australian Extractives Sec	0	0
Business Impacts	2	3
CSR Alignment with Org Mission	7	7
CSR and company values or mission	3	6
CSR Approaches and Practices	1	1
CSR Certifications, Indices, Standards	4	10
CSR Critical Success Factors	0	0
CSR Barriers	2	3
CSR Benefits	3	3
CSR Drivers	1	4
CSR Implementation	10	19
<b>CSR Motivation</b>	<b>1</b>	<b>1</b>
CSR Success	3	3
CSR Understanding	8	10
Why CSR	5	5
Risk Management Practices in Australian Extractives Sector	0	0
Risk Management Critical Success Factors	1	3
Risk Management Practices or Approaches	1	4
Types of risk	2	2
Assessing Effectiveness of Overall controls	2	2
Role of CSR in Risk Management	0	0
Biodiversity	0	0
Community	1	2
Company Board Involvement	3	3
CSR and Risk Management	1	2
Strategy	8	23
Sustainability	1	1
Water Management	1	1

The right-hand pane shows the details for the selected node "CSR Motivation", including a list of references and their coverage percentages:

- Reference 1 - 2.99% Coverage
- Reference 2 - 0.90% Coverage
- Reference 3 - 0.60% Coverage
- Reference 4 - 0.86% Coverage
- Reference 1 - 2.32% Coverage

The bottom status bar shows "EM 143 Items" and "Code At [Enter node name (CTRL+Q)]".



## Appendix 12: List of Major incidents in the Extractives industry in Australia

- Rio Tinto's Juukan Gorge Incident, 2020
- Santos Limited Jackson oil spill – 2013
- Collapse of the Morwell River Diversion at the Yallourn Coal Mine – 2012
- Springvale and Angus Place coal mines – Undertook unapproved coal mining and/or discharging mine groundwater into an environmentally sensitive area – 2011
- Princess Highway closed after heavy rain resulted in land movement at the Hazelwood mine causing cracks in the road – 2011
- Eastern Star Gas (taken over by Santos Ltd) Coal Stream Gas operation incident which resulted in 10,000 litres of toxic water waste entering the environment in the Pilliga State Forest – 2011
- Montara Well Head Platform blowout and subsequent oil and gas spill – 2009
- Santos Limited Port Bonython groundwater contamination (Crude oil leak from storage tanks enter the groundwater) – 2008–2012
- Venus Island gas pipeline explosion – 2008
- Yallourn Power Station Coal mine wall collapse (mine flooded by the Latrobe River) – 2007
- Bulk carrier Global Peace oil spill at RG Tanner Coal loading facility in Gladstone in Queensland – 2006
- Goonyella Riverside coal mine experienced a major structural failure resulting in serious injury to a miner – 2000
- Oaky coal mine roof fall causing death to miner – 2000
- Jellinabah Open Cut Coal incident causing severe crush injuries to miner – 2000
- Cook coal mine coal dislodged resulting in death of miner – 2000
- Oil carrier Sylvan Arrow oil spill – 1999
- Oil tanker Laura D'Amato oil spill – 1999
- Varanus Island Terminal oil spill – 1999
- Mobil Port Stanvac Refinery oil spill – 1999

- Esso Longford gas plant explosion – 1998
- BHP's Blackwater Open Cut coal mine, vehicle incident resulting in death of miner – 1997
- Newhill coal mine, rib collapse causing death to miner – 1997
- Gretley coal mine disaster resulting in the death of 4 miners – 1996
- Laleham No1 coal mine, miner pinned between machinery resulting in death of miner – 1996
- Xstrata's Oaky Creek coal mine, miner lost his life when vehicle was driven over the edge of the excavation due to the substandard condition of the workplace – 1996
- Moura coal mine explosion – 1994
- Oil tanker Kirki oil spill – 1991
- Moura Open Cut coal mine incident resulting in death of 2 miners and serious injury to 2 others – 1993
- Western Main coal mine Pillar Collapse resulting in the death of 3 miners – 1991
- South Bulli coal mine incident resulting in the death of 3 miners – 1991
- Goonyella-Riverside coal mine outrush of coal and water – 1991
- Newlands coal mine gas explosion resulting in death of miner – 1990
- Oakleigh Number Three Colliery roof collapse resulting in death of a miner – 1990
- Crude oil tanker Arthur Phillip oil spill – 1990
- Collinsville Coal Roof collapse in mine shaft – 1988
- Moura coal mine roof fall and explosion – 1986
- Oil tanker Esso Gippsland oil spill – 1982
- Appin coal mine explosion resulting in the death of 14 miners – 1979
- Oil tanker World Encouragement oil spill – 1979
- Kianga coal mine explosion – 1975
- Oil tanker Princess Anne Marie oil spill – 1975
- Bulk coal tanker Sygna oil spill – 1974
- Box Flat Mine explosion resulting in the death of 17 miners – 1972