

Corporate Social Responsibility and Shell in Ireland

Corporate Social Responsibility
and Shell in Ireland:
A Thin Veneer

By

Francis O' Donnell

**CAMBRIDGE
SCHOLARS**

P U B L I S H I N G

Corporate Social Responsibility and Shell in Ireland: A Thin Veneer,
by Francis O' Donnell

This book first published 2011

Cambridge Scholars Publishing

12 Back Chapman Street, Newcastle upon Tyne, NE6 2XX, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

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ISBN (10): 1-4438-3221-9, ISBN (13): 978-1-4438-3221-2

I would like to dedicate this book to my late father Frank O' Donnell. He was a lover of the natural environment and imparted this gift to me when I was very young. He once carried me on his shoulders around a local lake when I was seven years of age looking for wild ducks. I have often retraced those steps and will do so again when in need of inspiration. He always marked the coming of the seasons by asking me had I heard the cuckoo in the spring or the call of the wild geese in the autumn. He awaited the change of the seasons with equal enthusiasm. He understood that all things were connected.

*When all the trees have been cut down,
when all the animals have been hunted,
when all the waters are polluted,
when all the air is unsafe to breathe,
only then will you discover you cannot eat money*

~ Cree Prophecy

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FOREWORD

Corporate Social Responsibility is a highly contested area, with no clear definition or accepted boundaries. For some it represents window-dressing, a means for companies to improve their image, boost their brand, or build employee loyalty. For others it represents a new way of doing business, mindful of impact and conscious of wider stakeholders. For others, the very idea of a responsible corporation is an oxymoron. What is becoming clear, however, is that CSR is a process rather than a set of actions, and represents the evolution of thinking within a corporation and a change in the way in which companies see themselves in the world.

Within this context, the story of Shell in Ireland is a fascinating one. The company had wide experience before locating in the country, and has a very well-developed idea of its own place in the world, and what its CSR policy should be. In a way, that makes the outcome of their presence in the remote and beautiful area of Rosspoint all the more startling. It is a story that should be read by anyone with an interest in business and society, and Francis O' Donnell is uniquely placed to tell it.

I met Francis when he came to the University of Limerick to study for his MBA, and was immediately struck by his approach to the interface between business and the environment. His background in Donegal and his experience in the fisheries industry have given him a singular perspective on how big business can usefully work with rural communities. Aware as he is of good practice, he is also well-placed to document and highlight activities that fall short of this standard. He does that in this book to excellent effect, making a very useful contribution to the literature on Corporate Social Responsibility in the extractive industries sector.

In reading his book I am reminded that many businesses still haven't learned the lessons of CSR, and I urge anyone in the area to contemplate the words of Warren Buffet "*It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.*"

—Sheila Killian, Head of Department and Senior Lecturer,
Accounting & Finance, University of Limerick
June 2011

PREFACE

My personal philosophy on the natural environment and social inclusiveness stem from my early childhood. Those early views were instilled in me by my late father and more recently by my academic training as an ecologist and business graduate. Chief Seathl of the Suquamish Native American Indian tribe inspired me when I read his great speech for the first time at the age of ten. That piece of early environmental writing and awareness led me to believe that all things in nature are connected. If we harm the natural environment, we ultimately harm ourselves. However, the most sophisticated and able species that has ever existed on this planet continues to ignore this fact. The wellbeing of the environment we live in directly correlates to our own mental and physical wellbeing. That relationship will ultimately determine our very existence as a species.

I realise that with all its weaknesses, Corporate Social Responsibility, (CSR) presents us with a space where business interests, environmental interests and social interests can come together and adopt frameworks which take cognisance of the others' position. More importantly, I view this space as a place where benefits to the environment and society can be secured. I appreciate that some reading this preface could conclude that I am naïve to think that CSR has any legitimate place in society. If someone can show me a better working model, then I am all eyes and ears. It is how we shape the area of CSR as citizens, as regulators and as political figures in the future which will ultimately define its legitimacy in our respective societies. We all have a responsibility to play our part. CSR is here to stay whether we like it or not and is now well positioned in most business schools.

No one is saying that CSR is a panacea to all our social or environmental woes. However, I don't mind nailing my colours to the mast by saying that business has a greater responsibility to society than the old notion of returns to shareholder "only", made by Friedman and others. In my opinion that is an outdated and flawed view of the world. Lack of resources, globalisation and the booming human population were not considered external business threats at that time. The planet is now

quaking under the pressures exerted upon it by us. In evolutionary terms, this transition has occurred overnight.

My reasons for believing that CSR offers us all an opportunity are straightforward. We live in a world of limited resources which are continuing to dwindle. Everything we use in our day-to-day lives originates at some point in the natural environment. Therefore, the argument can be made that all the resources needed to operate a successful business also originate there. Would this not suggest that the race to exploit resources before a competitor does is a short-term view and could be considered a dereliction of duties by company directors on behalf of their shareholders? It is how we use those limited resources, along with our talent, which will determine competitive advantage for business organisations in the future.

Security of continuous resource availability must be an attractive proposition for businesses and those interested in conserving the natural environment. That is the choice we have to make if we are serious about tackling the enormous environmental challenges which lie ahead. CSR offers us all a platform, albeit a far from perfect one, to achieve sustainability and social inclusion in the decision-making process. This is a tall order but the alternatives are frightening. In my opinion time is running out for us to act. If we continue to adopt the ostrich pose and ignore the environmental “whispering in our ear”, then it is at our own peril.

During my MBA I delved even deeper into the area of CSR. I would have to say that I have Sheila Killian who wrote the forward section of this book to thank for that. She ignited a spark in me when she delivered a lecture to my class in the area of CSR. Here was a senior lecturer in accounting and finance who genuinely believed that business, the environment and society could live alongside each other. More importantly, she conveyed to me the threats to the development of CSR as a valid academic area, such as the false mask principle and the difficulties in determining who as a business was genuine and who was masquerading. I remember thinking in class one day about what Johnny Depp had said in the 1999 film “Sleepy Hollow” “*Villainy wears many masks, none so dangerous as the mask of virtue*”. I wondered about Shell and the Corrib gas dispute. It felt it was time to find out.

The idea for this book evolved over a period of time and was triggered by various events which occurred throughout the duration of my MBA with the University of Limerick, Ireland. Other authors such as Lorna Siggins have captured events and detailed in depth how the community in Rosspport, Mayo, Ireland were deeply affected by Shell's business operations there. This manuscript is an academic piece of writing based on the validity of Shell's stated commitments to society and the environment in Ireland. It attempts to remove the mask to see if the company are genuine in that commitment or not. Those who are just interested in the story and not the academic side should focus on chapters one and then four to eight inclusive. Chapter Two is what one could call "dipping the toe into the bath of corporate social responsibility". That chapter reviews a number of strands of CSR which I thought appropriate in line with the research area. Chapter Three offers the academic reader my reasons for choosing a qualitative approach. This chapter also informs the reader why I used semi-structured interviews to gain the necessary data for my research.

After a documentary made by Ireland's national broadcasting channel in 2009 called "*Battle for the gas field*", I was convinced something was very wrong. In my opinion the documentary was biased in favor of the Multinational oil giant Shell and its partners, Statoil Hydro and Vermilion Energy. The presenter created the belief that it was persons with "paramilitary" backgrounds and "eco-warriors" who opposed the development, along with a few awkward locals. The presenter also commented that Maura Harrington, who was strongly opposed to the development of the project in an onshore capacity and, who is a prominent member of Shell to Sea group, was a "pin-up girl" for those same paramilitaries.

In a country that has done much to make peace with our neighbours and understand cultural differences, it was clear to me that an alternative agenda was being driven by someone somewhere. Paramilitaries and pin-up girls would make an interesting documentary in their own right, mix in a multinational oil company and it all stuck out like a sore thumb. I kept going back to that documentary in my mind; it just wouldn't leave my thoughts.

The area of natural resources, stakeholder management and small communities is of great interest to me. I hail from southwest Donegal in Ireland. The area is characterized by its remoteness and beauty. Compared

with other parts of Ireland, it is unspoiled and dominated by mountains and rivers which are teeming with wild Atlantic salmon and native trout. Beautiful lakes are dotted across the landscape. Westerly winds batter the landscape and its people during the winter months. Summer offers a short reprieve so people can gather in the harvest and mingle with the many tourists who visit the area. I saw great similarities between the area of Rossport in Mayo where the Corrib gas controversy had unfolded and with where I grew up myself.

Having grown up in a Gaeltacht (an Irish speaking area) I felt I could communicate with those people affected by Shell's operations in Rossport and hear their story. Media coverage had portrayed them as simple farmers who were against the development of gas in Ireland. This is very far from the truth but the documentary "*Battle for the gas field*" had muddied the waters for these people.

My contribution in the form of this book is very small in the context of how some multinational companies destroy communities. I attempted to get behind the mask, so to speak, of the Shell Company and its partners in Ireland. I used Shell's own business principles to challenge their validity as having changed to being a good corporate citizen. I wanted to evaluate if Shell's new identity was a knee-jerk reaction to poor publicity directed at the company for its poor social and environmental track record. It also interested me that Shell was on trial during 2009 and 2010 for their complicity in the judicial murders of Ken Saro-Wiwa and eight other Ogoni activists by the Nigerian Government in November 1995. That story is well documented in both the media, the arts and academic literature.

It is my hope that this book, which is based on a single case study will provide a learning process for students and executives alike interested in business ethics, strategy and stakeholder management. More importantly, it allows the reader to evaluate the threats associated with the development of CSR in society. It is often difficult to get behind the company mask. It is my opinion that Shell is not committed to good business practice in Ireland. The protracted nature of the Corrib gas dispute and associated events which have unfolded over a ten-year period make that clear in my mind. However, the company was facilitated at every juncture by those who are supposed to be social leaders and guardians of the natural environment in Irish society.

Equally, political and regulatory lessons can be learned for those who are committed to good practice in these fields. I believe that a significant change in Irish culture is needed to achieve this at many different levels. It remains to be seen if the Irish political and regulatory systems are ready to respond to such changes, should they evolve.

ACKNOWLEDGEMENTS

I would like to thank Willie Corduff, Mary Corduff, Vincent McGrath, Micheál Ó'Seighin, Maura Harrington, Sr Majella McCarron, Fr Michael Nallen, Pádraig Cosgrove and Ciarán Ó Murchú who all contributed and gave their time to this research. I would especially like to thank you all for the welcome I received and your patience in helping me grasp the bigger picture.

I would also like to thank my friend Tracy for all her help and support. You were a great sounding board. I would like to thank other friends which are too many to mention and who I discussed different aspects of my research with. They know who they are.

A special thanks to Dr Sheila Killian who wrote the Foreword for this book. I have you to thank for my interest in CSR. Thank you for your guidance during my MBA with the University of Limerick.

ABBREVIATIONS

ABP	An Bord Pleanála (Irish Planning Board)
An Taisce	Irish National Trust
BBC	British Broadcasting Corporation (UK)
Bord na Móna	Irish Peat Bord
BP	British Petroleum
BPA	British Pipeline Agency
CAOs	Compulsory Acquisition Orders
CPOs	Compulsory Purchase Orders
CBC	TV Channel (Canada)
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
Dáil	Irish Parliament
DCENR	Department of Communications, Energy and Natural Resources
DEHLG	Department of Environment, Heritage and Local Government
EEI	Enterprise Energy Ireland
EIS	Environmental Impact Statement
EU	European Union
Extant Literature	Existing literature
Garda Síochána	Irish Police
GSOC	Garda Síochána Ombudsman Commission
IOOA	Irish Offshore Operators Association
MBA	Master's in Business Administration
MLVC	Marine Licence Vetting Committee
MNCs	Multinational Companies
MOSOP	Movement for the Survival of the Ogoni People
NGOs	Non Governmental Organisations
NPWS	National Parks and Wildlife Service
PLC	Public Limited Company
QRA	Quantified Risk Analysis
RBP model	Responsible Business Practise Model
SAC	Special Areas of Conservation
SEPIL	Shell E& P Ireland Ltd.
SIPTU	Services, Industrial, Professional, Technical Union

SMEs	Small and Medium Enterprises
SPAs	Special Protected Areas
TD	Member of Dáil
UK	United Kingdom
UN	United Nations
US	United States of America
WHO	World Health Organisation

INTRODUCTORY NOTE

This case study focuses on Royal Dutch Shell's social and environmental commitments to society in relation to the Corrib gas project in Ireland. Since 1997, Shell has positioned itself as a good corporate citizen, committed to sustainable development and social disclosure. Shell has a poor track record in terms of human rights abuses and environmental degradation associated with their business operations. Some would argue that the company's recent commitment to corporate social responsibility (CSR) is a response to negative publicity the company received in the early 1990s. Most of that negative publicity was connected to their activities in the Niger Delta and their treatment of the Ogoni people living there.

In 2002, Shell acquired Enterprise Energy Ireland, with a view to exploiting the Corrib gas field located off the west coast of Ireland. Since that period, the development has been dogged by controversy. Most of that controversy was related to safety issues, Shell's continuous breaches of planning and environmental legislation and the jailing of five local people. There have been numerous appeals by local residents affected by the development to the independent planning authority in Ireland. This community has been deeply divided by the development. To date Shell has not managed to bring gas ashore. This project is running five years behind schedule.

This research specifically addresses the following questions;
Are Shell's stated social and environmental commitments to society in Ireland valid?
Has Shell's CSR compliance in relation to the Corrib gas project been influenced by the Irish regulatory environment?

The findings of my research indicate that Shell deliberately set out to circumvent the regulatory processes in Ireland. More importantly, this strategy was driven by senior personnel within Shell and is facilitated by the Irish regulatory process. Shell's commitment to corporate social responsibility is unethical and invalid. This is reflected by failings on its part to act in the interest of the natural environment and the community

most affected by their business operations. The company's actions are not in line with its business principles. Shell's low level of participation in this study further reinforces the belief that their embrace of corporate social responsibility is not embedded in the company's day-to-day operations.

CHAPTER ONE

INTRODUCTION

This book evolved out of research carried out for an MBA thesis which I completed in January 2010 with the University of Limerick in Ireland. It examines the phenomenon of corporate social responsibility (CSR), in the context of a single case study focussing on the role and responsibilities from a social and environmental perspective, of the Royal Dutch Shell Company and its partners, in the extraction of natural gas off the west coast of Ireland. The difficulties experienced by Shell and the local community most affected by the project are described in detail in Chapter Four. An academic critique is offered by the author in Chapters Six and Seven. Chapter Eight concludes with recommendations for future research potential and offers an analysis of the cultural and political impediments facing the development of CSR in Ireland.

Prior to 1998, Shell had a poor track record, both environmentally and socially, associated with their business operations (Boele et al., 2001; Wheeler et al., 2002). However, the company has now moved to embrace the concept of social reporting and disclosure. In April 1998, after a period of reflection, Shell published a report called 'Profits and Principles: Does There Have to Be a Choice?' (Knight, 1998). Of central importance to Shell's transformation and reflected in that report, was the revision of its general business principles (Appendix A) to reflect society's greater interest in human rights. The companies' transformation was also driven by the emergence of the concept of sustainable development at that time (Knight, 1998).

Some authors argue that the catalyst for change driving Shell at that time was negative publicity arising from their global business operations. Authors such as Livesey (2002) argue that personnel working for Shell both accommodated and resisted the move by the company to becoming a better corporate citizen. This has to be viewed in the context that any new strategy, whatever its motives are, takes time to permeate throughout the parent company and its subsidiaries. Therefore, it is only fair to assume that a change in company culture takes time. The reason for carrying out

this study was to establish the validity or otherwise of Shell's CSR commitments, and the impact of the Irish regulatory environment on their CSR compliance.

1.1 Definition of the area of corporate social responsibility

There is an abundance of extant literature in the environmental and social science domains that supports the view that corporate social responsibility (CSR), offers multinational companies (MNCs) and industry in general, a road map to act in a way which includes important environmental and social issues. This is at variance with the historical view of ensuring that the company delivers financial return to its investors (Freeman 1984; Donaldson and Preston 1995; Carroll, 1999; Handy, 2002). CSR is a term used to describe the social and environmental contributions and consequences associated with business activity (Jenkins and Yakovleva, 2006).

There is no accepted definition of CSR. A number of descriptions of CSR can be viewed in Chapter Two of this book and Appendix B. Analysis of CSR is still embryonic in nature and therefore theoretical frameworks, measurement and empirical methods associated with this subject area are still in their development stage (Mc Williams et al., 2005).

The theory or main concept of CSR does not try to place obstacles to business development and economic reward, as argued by authors such as Friedman (1962) and Henderson (2001). The main principles of CSR are in fact reflective of economic development. CSR considers environmental protection and social cohesion, coupled with the longer term view of stakeholder inclusiveness, the needs of everyone, now and in the future (Freeman and Liedtka, 1997; Jenkins and Yakovleva, 2006).

Authors such as Campbell (2007), argue that economic conditions and institutional factors affect the degree to which corporations act in a socially responsible way. Corporations experiencing weak financial performance have less available resources to invest in social and environmental projects. He argues that competitive pressures combined with institutional conditions are drivers that affect a company's engagement in CSR. He identifies the limits of the current research in the development of CSR and attempts to evaluate under what conditions corporations are more likely to act responsibly in a social context. Other

authors such as Maignan and Ralston (2002) suggest that companies tend to differ in their approach towards socially responsible behaviour and that this varies across countries, cultures and public commitment to socially responsible behaviour.

CSR also provides companies with the ability to use natural resources in a prudent capacity, leading to sustainable levels of economic growth and competitive advantage (Cowell et al., 1999). This change in attitude in the business domain is now evident and reflected in the academic literature. Business schools globally are also pioneering CSR as a valid business discipline. Some academic institutions stress the importance of CSR from a strategic perspective to gain competitive advantage (Bonini et al., 2006). This change in strategic business thinking has occurred for a plethora of reasons. In the main, it has been driven by the lack of raw materials, revelations of poor social and environmental practices carried out by multinational companies, responses to brand damage, the drive to obtain competitive advantage and the maintenance of a stable working environment. This is not an exhaustive list by any means (Jenkins, 2005).

It is important to assert at this juncture, that while CSR covers a multitude of headings, this book focuses mainly on the social and environmental aspects of CSR relating to Shell's behaviour in Ireland. This allows the reader to focus on two of the major strands and fundamental aspects of CSR (social and environmental commitment and best practice) and reach their own conclusion about the validity of Shell's commitment to the local community and sensitive natural environment in the Rosspoint area, where Shell has its business operations in Ireland.

1.2 Emerging economies and the need for CSR

Emerging economies have suffered most from poor social and environmental practices, mainly carried out by western multinational companies (Jenkins, 2005). This resulted from a phenomenon known as regulatory arbitrage, which was, and still is, practiced by some multinational companies globally. Here MNCs exploit regulatory differences between countries by threatening to relocate their respective business operations to locations with more favourable regimes (Dicken, 2004). This in turn forces regulators in emerging economies to ease social and environmental restrictions, and in some cases focus on attracting foreign direct investment at any cost (Jenkins, 1999). This ultimately gives

large multinational companies the confidence to act inappropriately when locating to such destinations.

Historically, some MNCs have had a devastating impact on the environment and the communities where they were located. They have been heavily criticised in the media and academic literature for acting in a socially and environmentally irresponsible manner. Large multinational corporations, especially those in the oil and gas sector, have dominated the global agenda at the expense of other stakeholders within society (Korten, 1995).

This was very evident in the 1995 Brent Spar and Nigeria crises. Some commentators consider this was the trigger which resulted in a sudden conversion of companies, including Royal Dutch Shell, to CSR (Christian Aid, 2002; Frynas, 2003; Holzer, 2008). There is a sense in which CSR offers MNCs a mask to hide behind. In fact one of the biggest challenges associated with the subject area of CSR is to identify who is masquerading. Shell's business operations in Ireland present us with a platform to examine how genuinely committed the company is in relation to social and environmental issues.

1.3 CSR as a strategic response to image improvement

Some authors make a compelling argument that corporate codes of conduct and responses similar to that adopted since 1997 by Royal Dutch Shell, are just strategic responses by large multinational companies to environmental and socio-political signalling. It is argued that such responses are nothing more than the fall-out from being 'caught out'. CSR allows such companies to reinforce their professed aspirations to act in a socially responsible way, but are nothing more than a mask for false promises. It can be argued that strategic responses and signalling by some large companies, which fall under the umbrella of good social and environmental practices, is in fact a way to avoid their responsibilities to society (Frynas, 2005).

The extraction industries such as mining, oil and gas sectors have been among some of the leading industries which have woken up to the strategic implications associated with CSR and who now champion the concept. This strategic change in policy has been driven by a global shift in how businesses are perceived by governments, the public in general and investment markets (Jenkins and Yakovleva, 2006).