

**MIKE B**

**MSc. in Innovation, Knowledge and Entrepreneurial dynamics**

**THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON A COMPANY  
ENDURANCE IN THE MODERN DAY MINING INDUSTRY**

**In the case of the Canadian company “Dundee Precious Metals” and their  
subsidiaries in Bulgaria**

Master thesis

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Of

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## Acronyms:

CSR - Corporate Social Responsibility

FDI - Foreign Direct Investment

DPM - Dundee Precious Metal

FTA - Foreign Trade Association

CED - Committee for Economic Development

CSP - Corporate Social Performance

WBCSD - World Business Council for Sustainable Development

BSR - Business for Social Responsibility

OECD - Organisation for Economic Co-operation and Development

ISO - International Organisation for Standardisation

GRI - Global Reporting Initiative

NGO - Non Governmental Organisation

CENCE - Connecting ENergy Clusters across Europe

ECA - European Cluster Association

ECCP - European Cluster Collaboration Platform

RCF - Revolving Credit Facility

EIA - Environmental Impact Assessment

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## Abstract

This thesis will try to explore the theoretical aspects of corporate social responsibility and compare them with the case of the Canadian company Dundee Precious Metals and their subsidiaries. The thesis will examine the theoretical aspects of CSR, historically and contemporarily in retrospective case study analysis, in order to show the influence corporate social responsibility has over the viability of a company in the modern age. Furthermore, the thesis will also review the available company case studies, reports and statements to see how CSR is implemented in practice, and try to find out whether it is possible for a polluting mining company to be socially responsible and still make profits for its shareholders

# 1. Introduction

Over the past two decades, the number and size of multinational corporations have increased dramatically (Ravenhill J. 2017). Moreover, with the rise of these multinational corporations also rises the influence they hold over the world employment figures, foreign direct investment (FDI) levels, and prices policies of goods and services. Their growing influence has not been limited only to their impact on the global economy, but they have also been gaining sway over multilateral organisations and institutions and state governance (Kissack et al., 2003). The increasing role and scope of the private sector companies have also led to a growing number of literary works helping us better understand how multinational corporations exercise power, both internally and externally in the global economic stage.

However, at the same time as Multinational corporations increase their power and influence, society's expectations on the other side are also progressing and evolving. This phenomenon has been exhibited by the increasing priority of corporate social responsibility (CSR) to executives in the past 5 to 10 years (business.time.com). An example of increasing public scrutiny is the precedent-setting ruling from the Ontario Supreme Courts in 2013, where the court agreed to hear a human rights abuses case where the defendant was a Canadian mining company operating in Guatemala (Collenette 2013). Because of this case, and other national and international legislative initiatives, the standards are slowly improving so that multinational firms are being held responsible for their actions as well as their subsidiaries actions abroad.

Moreover, considering all mentioned above it is safe to say that because of the influence the multinationals firms have on the world economy, their CSR policies can have a significant impact on global working conditions, corruption and environmental practices. In the diverse and ever-changing world in which we live, it is not very easy for researchers to reach a broad consensus on the concept of CSR, which is inherently extremely dynamic on its own - it is changing. It will change in the future, in CSR definitions and



refinement, and the development of various CSR documents and other legislative frameworks. Following Europe 2020 strategy, and in response to criticism of the decade-old and most commonly used definition of CSR, the European Commission is introducing a new definition of CSR in the updated CSR Strategy. CSR is redefined from voluntary social and environmental initiatives to

*"the responsibility of businesses for their impact on society"* (EU, 2011, p. 6)

Corporate social responsibility practices in Europe are not something new that has recently been added. They are part of the regular business practices of the industry. The industry has always influenced the environment, society, the economy and the various stakeholders - suppliers, partners, customers, staff, local communities (Slavova, I., 2013).

The focus of this research will be on how multinational firms react to the different external and internal forces in order to meet the ever-changing expectations of society at large when it comes to the companies behavior as an economic and social actor as well as how the action they take when it comes to CSR influence the company corporate reputation. The research on CSR to date on explaining what influences drive change in CSR performance and policy has generally focused on one or two potential influences, society pressures and investors and profit drivers, with not so much attention paid to how multiple factors may interact, for example working in a cluster with other big corporate actors in the same or similar industry. The company which will be used as a case study in this thesis "Dundee precious metals" which will be presented in chapter two is in one such cluster and will be interesting to see how the company CSR policies are influenced not only by society and politics but stiff competition as well.

The thesis will be divided into eight chapters, beginning by presenting the company used as a case study "Dundee precious metals", first with a short history, continuing with the corporate profile of the company and how it came to be in Bulgaria reviewing the most relevant contributions made in the period working there.

The next chapter will present the problem formulation and the subsequent research questions and problem justification. Following will be the methodology part of the thesis, this section will present the choice of research approach, qualitative and quantitative data gathering, paradigms in social science and paradigmatic approaches will be addressed. The fifth chapter will focus on the most relevant theory of Corporate social responsibility and other related theory to the thesis subject of investigation.

The analysis and discussion chapters of the thesis will try to understand and explain the obtained results, answer the proposed research questions and problem formulation, defend the taken approaches, and critically assess the study as a whole. The last and concluding part of the thesis will reflect on the subject of the research and the the topic of Corporate social responsibility.

## 2. Company description

### 2.1 Dundee Precious Metals

Dundee Precious Metals Inc. is a Canadian gold mining company. The main focus of the organisation is involved in the purchase, exploration and development of mining and processing facilities for precious metals through its subsidiaries in Bulgaria, Namibia and recently Serbia.

The first of its subsidiaries is in the Bulgarian village of Chelopech located east of the capital Sofia, and it is where the company owns and manages a gold, copper and silver mine. The second subsidiary in Bulgaria is located in the town of Krumovgrad, southeastern Bulgaria, where the company is engaged in the construction and development of a newly introduced gold mine. Dundee Precious Metals also owns and operates a smelter plant located in Tsumeb, Namibia, as well as a subsidiary in Lenovac Serbia, focused on the exploration and development of the Lenovac and Timok gold projects, and other early-stage copper and gold projects in Serbia.

## *Unique Assets With Commodity & Geographic Diversity*

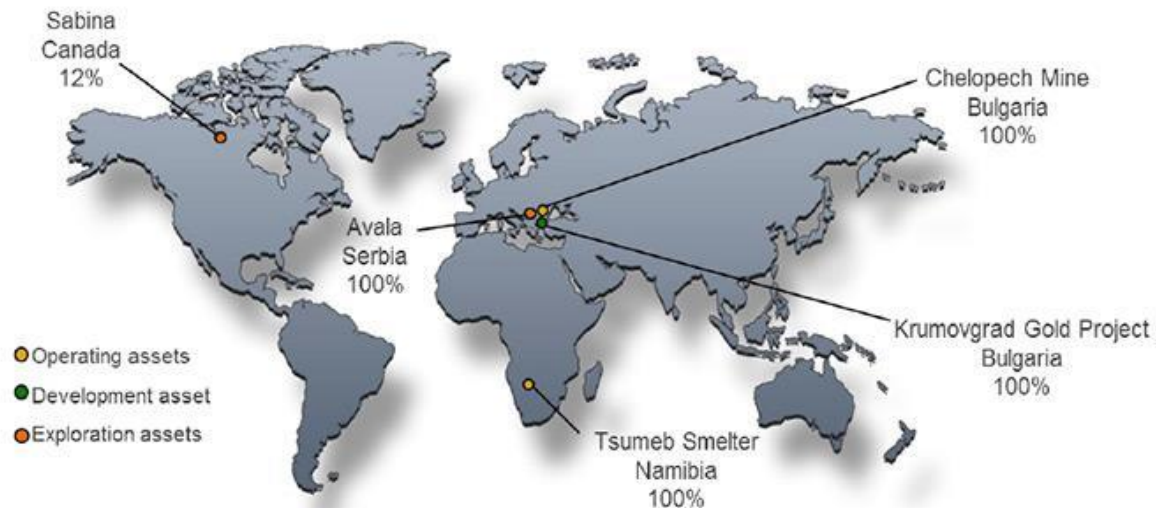


Figure 1. *Locations of operation of DPM*

According to the company's mission statement, their concept is to be a progressive gold mining company working closely with the communities in which they operate, On the other side, creating value for their stakeholders by means of innovative and modern practices. Furthermore, according to the DPM mission statement, The company is striving to conduct its business in a reliable and sustainable way, so they can be successful in each of the countries in which they operate ([www.dundeeprecious.com](http://www.dundeeprecious.com)).

An article in the Bulgarian publication "engineering review" from 2013 actually shows the company is keeping to its mission promise.

During the time that has been developing the Chelopech deposit, Dundee Precious Metals has been able to make significant progress on the implementation of its guiding policy. Examples according to the engineering review are the investments in the care of the environment, namely providing funds for the first time in the sixty-year history of

Chelopech mine for recovery of more than 100 acres of mine-damaged areas. Another example is the setting up of monitoring of the environmental components such as air, water, soil, biodiversity, climate and other technological improvements and innovations. Furthermore, the company have invested in improving the skills of employees; updating facilities and personal and collective protection equipment leading to safer production; modernising the underground crushing complex and ore transportation system in order to reduce surface noise dust reducing the mine CO<sub>2</sub> and carbon footprint; better water management, reusing of the water used in production to save fresh water and prevent the discharges into the environment.

DPM has also invested heavily in automation of the production processes to boost efficiency and safety; an innovative integration of production and maintenance processes into wi-fi environments drawing the attention of other mining companies as well as numerous other technological improvements.

In introducing the technological innovations in production, DPM involved not only the workers but also Bulgarian companies that designed, built and delivered the equipment, while at the same time acquiring specific know-how and experience. These technological innovations, initiatives and projects have brought investment to the Bulgarian economy and opened job opportunities for the local population ([www.engineering-review.bg](http://www.engineering-review.bg)).

Dundee precious metals 2019 annual report shows the business main operating assets consist of Chelopech mine, producing a gold-copper concentrate of gold, copper and silver, and a pyrite concentrate containing gold, and the Tsumeb smelter in Namibia, complex copper concentrate processing plant. DPM also fully owns the Krumovgrad gold mine. DPM also holds stakes in a number of developing mining properties discovered in Bulgaria, Serbia, and northern Canada. DPM also holds investments in software vendors for the mining industry with operations in South Africa, Canada, Australia and Chile ([www.dundeeprecious.com](http://www.dundeeprecious.com)).

The DPM mission statement describes the framework of the company's approach to corporate social responsibility by introducing a new Corporate Responsibility Policy. DPM, corporate responsibility strategy is built around six Core Values: Safety, Dignity &

Respect, Environmental Responsibility, Community Investment, Continuous Improvement, and Transparency. The company emphasises that these values are in line with the 2015 United Nations Summit on Sustainable Development adopted seventeen Sustainable Development Goals aiming to stop poverty, preserve the environment and promote prosperity by 2030 ([www.dundeeprecious.com](http://www.dundeeprecious.com)).

*"We believe that the private sector, and in particular the mining industry, has a vital role to play in these goals. In our view, both the appropriate international and national policies together with the alignment of private sector business strategies and objectives are required if these goals are to be successfully achieved by 2030"*

(DPM annual information form 2018)

In 2017, DPM put in place an updated environmental and social action plan for the smelter operation in Namibia, which additionally underlines the company's socially responsible position in the community. Moreover, in 2018, DPM has stated that it will further strengthen investment and partnerships in Namibia to address the so-called empowerment initiatives being developed to help previously disadvantaged Namibians. Additionally, DPM is focusing on health and safety on the work place as a key value of DPM by earmarking a significant amount of resources to work safety not only to all employees but contractors who work at the company's sites as well. In addition to internal procedures and rules, the company also complies with strict and rigorous health and safety standards and laws in all jurisdictions.

In summary, the accomplishment of the company's strategic business plan is reliant on the good relations with, and full support of, local communities. More detailed information on the DPM practices, policy and community involvement will be presented in the Discussion part of this thesis.

## 2.2 Dundee precious metals financial information

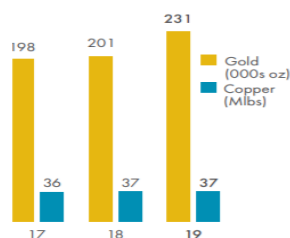
In the company's financial statement for 2019, they point to the impact of a higher realised gold price in recent years and also underline the achievement of commercial production at "Ada Tepe" the newest production facility in June 2019, which contributed to record gold production for the company, at 230,592 ounces, up 15% relative to 2018. Furthermore, they report generated cash flow from operations of \$99.4 million (2018 – \$98.2 million) and free cash flow of \$67.2 million, up 25% relative to 2018.

From the statement, we can see that they also report a net loss attributable to common shareholders of \$70.9 million, reflecting an impairment charge of \$107.0 million related to Tsumeb Namibia.

The year 2019 concluded with around \$188 million of available cash resources, comprising the undrawn portion of DPM's long-term revolving credit facility ("RCF"), an increased cash position of \$23.4 million, and reduced debt of \$10.0 million.

### Production and Financial Highlights

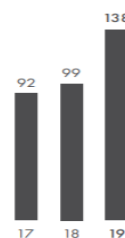
#### Gold & Copper Contained in Concentrate Produced



#### All-in Sustaining Cost<sup>1</sup> (\$/oz)



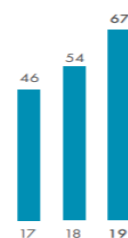
#### Adjusted EBITDA<sup>1</sup> (US\$M)



#### Cash Flow from Operations (US\$M)



#### Free Cash Flow<sup>1</sup> (US\$M)



<sup>1</sup> All-in sustaining cost, adjusted EBITDA and free cash flow are not defined measures under IFRS. Refer to the "Non-GAAP Financial Measures" as disclosed on pages 54 to 60 of the Management's Discussion and Analysis contained in this report.

Figure 2. Dundee precious metals financial statement 2019.

## 2.3 Industrial cluster Srednogie

Dundee precious metals does not operate alone in the area of Chelopech in Bulgaria. DPM is part of an industrial cluster named "Srednogie " after the geographical area with the same name.

The cluster was created in 2005 and involves several companies: *Geotechmin OOD, Elacite - Med AD, Assarel - Medet AD, Aurubis Bulgaria AD and Dundee Precious Metals Chelopech EAD*. The main goals of the group are according to the cluster web site ([srednogie.eu](http://srednogie.eu)): increasing the competitiveness of the industrial sector in the region, sustainable development of regional industries and local communities through innovative technologies, investment and social entrepreneurship.

The emergence of the Srednogie cluster can be attributed to two essential necessities for such an enterprise to exist, specifically the natural abundance of the needed resources in the area and the entrepreneurial actions of other mining companies nearby. Bulgaria possesses significant reserves of mineral resources, especially in the prospects of gold silver and copper. The area where the cluster is located has the largest percentage of all-metal mineral deposits (Slavova-Georgieva, I., 2015).

Also, according to Slavova-Georgieva, 2015 The largest copper-gold-porphyry deposits are in the area of Celopech village territory.



Figure 3. *Srednogorie region in yellow on the map of Bulgaria*

All necessary circumstances for a mining cluster to develop are present in the Srednogorie region: on one hand rich ore deposits and long-standing traditions in mining operations, trained mineworkers, as well as other highly trained professionals, high-tech methods for the mining and processing of copper. On the other hand, is the presence of other mining or mining-related companies already mentioned above, making the cluster one of the best functioning in Bulgaria (Slavova-Georgieva, I., 2015).

### 3. Problem Formulation

This part of the thesis will try to provide a better understanding of the predicaments that modern mining industry faces in the era of social and environmental changes in the mindset of society where business, as usual, is no longer the norm and social responsibility is becoming necessary to survive.



According to Michael Seeger, in this new reality, mine developers need to find investment for their new mining project, they cannot rely on government subsidies like in the past. Moreover, most of the needed equipment and planning is now operated by contractors. Mining companies nowadays have to go and look far and wide for host countries trying to develop their mining sector, mostly in emerging countries. They also have to plan and invest in the minerals for future technologies and the future green economies, where renewable energy, electricity storage, electric motors will be vital (Seeger, M., 2019)

For decades, the topic of Corporate Social Responsibility (CSR) has continued to be the subject of lively discussions and the new and increasing number of studies in this field in recent years is evidence of that.

One of the widely discussed issues related to the debate is the definition of CSR (Dahlsrud A., 2006).

When we look at different periods, these relationships have been managed differently depending on historical, cultural, political and social and economic factors, as well as on the specific conditions in individual countries. Many studies show differences in the way CSR flows across countries over time (Matten & Moon, 2008; Albareda et al., 2007; Knudsen, Moon, 2012).

When large corporations expand their presents globally, they also take different approaches joining different markets, in the process of internationalisation, depending on their size, the type of industry they operate in and corporate shareholders. Different ways of entering the international market can have important implications for a company's decision to adopt CSR practices, as some studies in this field show (Strike et al. .1853). For instance, a company that controls and operates subsidiaries in a different country is more likely to be exposed to the practices of local CSR than a company that engages only in distant relations with foreign business partners. This is because foreign direct investment (FDI) through wholly-owned subsidiaries requires multinational corporations to engage in more intensive transactions with local businesses and social stakeholders. They are inclined to promote knowledge sharing and local approval, including those

related to CSR. However, local norms and traditions can also negatively affect international activities and delay the global implementation of the CSR strategy.

In the process of internationalisation, firms usually face the predicament of adapting to the local social and business norms, even when these norms are not accepted in the home countries of the companies in question.

Nevertheless, some large multinational companies are implementing CSR methods used at home into their global enterprises. As a result, these companies often see a positive effect in selling products and services when they are perceived as socially responsible by consumer markets. The current problem, however, is that other smaller firms are struggling compared to larger corporations in implementing CSR due to their smaller size and more limited resources (Russo and Fouts 1997). In other cases, firms may choose to avoid CSR activities in their international operations, as their global expansion intends to exploit countries where pollution or labour practices are not strictly regulated. To illustrate, companies like Nike (Connor, 2001) or Apple (New York Times, 2012) can endure as market leaders only if they continue to profit from the cheaper labour from their international manufacturers and suppliers. Their products are often associated with questionable employment practices in developing countries. Thus, it is clear that various factors, including size, industry and varying stakeholder pressure, influence the internationalisation of multinational corporations and their adoption of CSR practices; these factors need to be considered in order to understand the processes that shape these significant global trends today.

In his work on the stakeholder approach to the firm, Edward Freeman defines a firm stakeholder as

*"any group or individual that can influence or be influenced by the achievement of the organisation's goals"* (Freeman, R. 2010. *Strategic Management: A Stakeholder Approach* p. 46 ).

A stakeholder may be a group of companies or individuals including, but not limited to, consumers, shareholders, local communities and associations, government and political groups, trade unions, employees, investors and suppliers. CSR is usually focused on the three most measured aspects: environmental, social, and labour relations. Environmental

responsibility is viewed as an essential element of CSR and some scientists like Dan Ittsy; Yale even named it a "mega-trend" (Reid. R., 2010). Consumers, shareholders and supply chains are putting increasing pressure on organisations at the same time, escalating the race for natural resources in the 21st century places environmental protection of forests and waters as a critical priority for governments and citizens around the world.

From all mentioned above, the following problem statement was formulated to help the reader understand the effect of corporate social responsibility on the company reputation and future development: of corporate social responsibility on the company reputation and future development:

## THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON A COMPANY ENDURANCE IN THE MODERN DAY MINING INDUSTRY

In order to find an explanation of the problem, the following research questions were proposed:

- **What are the different approaches of corporate social responsibility that companies usually take?**

An explanation to this question will be sought in the literature review part of this thesis, by examining the historical and theoretical aspects of Corporate social responsibility, considering it seeks and answers about ways and approaches to CSR that companies take.

- **How dose Corporate Social Responsibility influence corporate reputation and the way the company is perceived through the supply chain and the community it operates?**

An answer to the second question will be sought in chapter six - Analysis. This part of the thesis will address the way the company is positioning itself on the market and in society.

- **How in order to fulfil the companies Corporate Social Responsibility obligations, new innovative business practices are becoming an integral part of business process development?**

An answer to the third question will be sought in the discussion part of the thesis, where actual examples of business practices will be provided about the company in question.

## 3.1 Problem justification

The case of CSR and sustainable business development is becoming more relevant, not only globally but also in former communist and now emerging countries like Bulgaria. More and more every day we can see in media reports things like industrial accidents, various protests of NGOs and nature protection groups, pollution scandals, conflicts of interest and values brought by aggressive competition, these circumstances require a new way of corporate governance.

For years, CSR concepts have been advertised and applied to certain degrees, but are still mostly unrecognised and not implemented by SMEs. Today, the question is not whether CSR ideas bring economic benefits and increase the competitiveness of enterprises, but if CSR will remain just an economic theory adopted by no more than 10% of global business, as shown by the UN Global Compact (2014). The desired real impact and change does not depend on the complex and multi-layered definitions of the term CSR but the scale of application of the principles of responsible business behaviour (Compact, U. G., 2014).

Although internationally these processes have been an essential part of corporate life for several decades, and in the theory of CSR there is already talk of five stages of

development (Visser, W., 2011), in the countries of Central and Eastern Europe, CSR was defined and gained scientific consideration for the first time in the late 1990s. Unfortunately, for a large number of small and medium-sized businesses, CSR is still a challenge that does not fall within their business priorities and happens more like civil philanthropy than a marketing strategy.

The long-term effect of Bulgaria's membership in the EU is expected to continue the inclusion of more and more local companies in the European market and the entry of more global corporations on the national market. Although somewhat delayed by the 2008 financial crisis, the processes of transformation are irreversible and continue to be carried out by more and more participants - industry associations, schools, consumer organisations and others. In the book "Corporate Social Responsibility in Europe", CSR in Bulgaria is described as not quite the same as CSR in most western European countries. Bulgaria, along with most central and eastern European countries, is still more of a follower rather than trendsetter due to its historical and socio-economic development post soviet era. Furthermore, in the book, the authors illustrate four trends dictating CSR development in Bulgaria. First, The CSR in the country is primarily a response to external pressures from foreign firms and institutions like the European Union. The second trend is the lack of political determination and potential from Bulgarian leaders leading to the role of flower on the part of Bulgaria. Third, because of the missing political initiative, the main drivers of CSR are mostly private business actors in the economy. Fourth, the absence of CSR knowledge and traditions among business entities.

Most of the companies associate CSR to legal compliance or philanthropy. These trends are suggesting that in order for enduring CSR systems and institutions to be established, the business must take the lead in association with government and other social organisations (Simeonov, S., Stefanova, M., 2015)

Social responsibility is a concept that reflects the qualities of the relationship between organisations and society. Social responsibility is a set of attitudes, decisions and actions of the organisation that are oriented towards society. If the attitudes, decisions and actions of consumers and the state coincide with the attitudes, decisions and actions of the organisation, then consumers and the nation accept that this is a socially responsible

organisation and vice versa. It is obvious that the social responsibility of the organisation is something that is appreciated by others.

## 4. Methodology

The fourth chapter will try to explain the philosophical and research approaches chosen in order to ensure understanding of the research problem and its connection to the conclusions in the analysis at the end. In this regard, first, we will discuss the research philosophy and the way it is used to acknowledge how the world is observed and understood because the researcher view of their surroundings has implications on the chosen methodology and consequently the findings (Kuada, J., 2012)

First will be presented a brief definition of the adopted worldview in order to highlight reasons for the specific decision taken. Second, the motive behind the choice of the specific ontological worldview as the philosophical approach and why not others will be justified. Finally, there will be a reflection on the limitations of the chosen world view.

### 4.1 Ontology and Realism

Ontology from Greek: ontos, "being", "existing", and logia, "science", "knowledge" is a philosophical discipline that deals with the subject and understanding of the existing, reality and being as a whole. According to Smith and Welty 2001 ontology is the beginnings of everything that exists, and the basic principles of its categorical expression (Smith, B., Welty, C., 2001)

The main objective of the paper is to understand how companies are adopting and utilising CSR in order to change the way they are perceived in society. Changing the perception of the company means changing the perception of reality of people (Easterby-Smith, M., Thorpe, R., & Jackson, P. R., 2015). Therefore, realism was chosen for the ontological view of the project.

## 4.2 Epistemology and Constructionism

Epistemology is a branch of philosophy that deals with the origin, scope and characteristics of knowledge. The term "epistemology" is used in English, less often in French and German philosophy. Its introduction is attributed to the philosopher James Frederick, who divided philosophy into ontology and epistemology.

The literal meaning of "Epistemology" is "science of knowledge" exploring how we know things and what are the limits of knowledge.

Epistemology puts into words the idea of what we know by establishing and modifying what we claim to know. Epistemology should not be confused with research on the knowledge of psychology, although it also deals, but far more casually, with the mechanisms of knowledge (Улф, Р. П., 2004).

Sanders Lewis and Thornhill (2009) take the theory even further talking about social constructionism, which means people interacting collectively to construct artefacts—considering the objectives of this research, namely changes in the organisations, the way they are perceived and how they perceive themselves. Moreover, the integration of CSR and the interaction between stakeholders, NGOs and others.

## 4.3 Research paradigms Detached constructionism and Hermeneutics

According to Easterby-Smith, M., Thorpe, R., & Jackson, P. R. (2015), hermeneutics was developed first by protestant groups in Germany as a method of interpretation of the bible. However, it is relevant today to some degree, and it is suitable for interpreting text and spoken words. Moreover, according to the book, there is no single correct understanding of a text.

A difference of time and perception exists between writer and reader, especially in historical text.

In the context of business, research hermeneutics is particularly useful, because in this case, corporate documents will be analysed, such as reports and statements (Easterby-Smith, M., Thorpe, R., & Jackson, P. R., 2015). Therefore, hermeneutics was chosen for the research paradigm.

## 4.4 Case study

A case study is a widely used method used for examining a particular phenomenon, especially in the field of economical, organisational and business research. However, a case study method is limited in scope and difficult to generalise for a more wider range of research. On the other hand, using a case study can produce useful research when examining organisations or testing existing research because of its inductive in character research approach.

A case study focuses on a specific subject of study, in this case, a company. Instead of speculating, case studies focus on uniqueness, illustration and stipulations. In this case, theories are "tested" in the sense of their applicability when generating something new. Potential pitfall when a case study is used may be the fact that researchers tend to use mixed-method for data gathering, like surveys observations and conversations (Adams, J., Khan, H., Raeside, R., White, D., 2007)

## 4.5 Retrospective case study analysis

Retrospective case studies are characterised like studies where all data and information, including testimonials, are collected after they have already happened.

Retrospective studies usually have three common denominators. First, information is collected after the fact, and second examiners are privy to all data, personal accounts and archival information, third, the results are already identified, even though the researcher was not able to observe the events before the result, they are still able to collect personal accounts. Retrospective studies are a part of the class of studies called longitudinal design meaning studies that happen over periods of time. The advantage of



the retrospective study over the concurrent study is that here all the information can be collected all at once, instead of waiting a certain period of time in order for the intended changes to happen. Furthermore, according to the Encyclopedia of Case Study Research, retrospective case studies are a good approach when the researcher is studying both single or multiple organisations, which in this thesis is a single company DPM but also looks at how it performs in an industrial cluster "Srednogorie."

Limitation of retrospective case studies may be the so-called "*recalled effect*" meaning if the researcher conducting interviews may not be able to obtain full or exact recollection from the subject because of the simple fact that memories fade over time. Another limitation may be the "*spoiler effect*," where if the observer has prior knowledge of the events being observed, it may affect the end results (Mills, A. J., Durepos, G., Wiebe, E., 2010).

## 4.6 Data gathering and analysis

This section of the thesis will describe the type and way in which the data is collected.

According to Kumar 2011, the two major ways of gathering information are primary and secondary. The primary way is where data is collected in the form of interviews and observations and the secondary, where information sources are previous research, documents, personal records and news articles (Kumar, R., 2011).

For this thesis, only secondary data is used, including books, scientific studies, online sources such as articles from websites and online scientific publications and not scientific publications such as news articles.

As online search engines were mainly used Google.com and Google Scholar as well as the AAU library website.

The idea for this research was formed while working on a previous project about social entrepreneurship. After that, the theoretical and methodological approaches were chosen after the research questions were formulated.

The original idea for the thesis was to use primary and secondary data. Primary data was to be in the form of interviews with people from the company's subsidiary in Celopech.

However, with the coronavirus spread starting to become serious, most of the people spoken to, started to cancel. After that, it was decided to instead focus on secondary data only.

As it was already established, secondary data was obtained by a few techniques, such as keyword search in different databases like Google, Google Scholar and AAU library website. After an ample amount of written material was gathered, the so-called "snowball sampling" technique was implemented using citations on the references list of the written material.

(Naderifar, M., Goli, H., & Ghaljaie, F., 2017).

Another way of information searching was "market research" in the way of online examination of available information for the industry in general, as well as company-specific information, such as online reviews, news publications and company publications ( financial statements, sustainability reports) (Luo, Y., 2009).

According to Yin, 2003 "Case study research: design and methods" when starting the analysis, the researcher must first understand the theoretical foundation which has shaped the research questions and the data needed for it (Yin, R. K., 2003).

## 4.7 Validity and reliability

All scientific articles and Books were peer reviewed and come from credible sources like Google Scholar and AAU library website. The website articles come from well established publications like Forbse, Financial times, New York Times as well as specialised engineering mining and economical publications. Also a company information in the form of yearly financial statements.

## 5. Literature Review

### 5.1 Theoretical aspects of corporate social responsibility

#### **Historical origins of corporate social responsibility**

The idea of corporate social responsibility has probably developed centuries ago, but the idea of the commitment of business to the community has become of great importance in modern times. Even back in the IV century BC. the Greek philosopher Aristotle talks about the idea of "giving gifts, not just acquiring riches." (Parry, R, 2014).

In more modern times, the financial magnate Rockefeller talked about not only how to translate money, shares and dividends in terms of humanity but also left behind examples of charity and service to the community. Another big capitalist, Andrew Carnegie, remarked about the social responsibility of business, the need not distance itself from the problems of society (Rajkov, Z., 2004).

In Europe, the concept of "corporate social responsibility" is relatively new. It was first used in 1993 when the then President of the European Commission, Jacques Delors, called upon European businesses with an appeal to pursue a policy of socially responsible behaviour towards society (Delors, J., 1993).

In 2002, the Foreign Trade Association (FTA) in Brussels focused its efforts on creating a common platform for the various European codes of ethics and laid the foundations for a common European monitoring system for social consent. In March 2003, the association formally established the Business Compliance Initiative, which will develop the European Business Compliance Program. Today, its members are the biggest corporations in the world such as Shell, Philip Morris, Nestle, British Airways, Vodafone, Ford, General Motors, and many others, as well as their suppliers who must strive to meet international social standards.

According to Leicester Throw, the very idea of the welfare state was not the work of the socialists, but, on the contrary, of the most hard-working conservatives, including Otto von Bismarck, Winston Churchill and Franklin Delano Roosevelt. The social measures they have taken to improve the well-being of the middle class have also helped to consolidate the capitalist order in the countries they govern (Throw, L., 2000 p. 37).

The concept of Corporate Social Responsibility (CSR) emerged in the United States in the 1960s as a result of debates about the social behaviour of multinational corporations. The first-ever report on this topic was prepared by an American ice cream company, Ben & Jerry's, but the most prominent example of corporate social responsibility is the oil giant Shell. In response to the growing crisis and serious financial problems, in 1995 the company decided to submerge its oil platform in the North Sea. However, this endeavour was met with strong disapproval from the media, as well as the public. Moreover, customers were boycotting the company's products. The case escalated into a scandal, and Shell abandoned the plans (Bell, N., & Smith, J. 1999)

## 5.2 Concept of CSR

In recent years, Corporate Social Responsibility has become a common practice for an increasing number of firms. Although the business activities of the companies are aimed at making a profit, they comply with the requirements set by the society and interested parties.

Friedman's doctrine of the 1970s that business has only one social responsibility - to increase profits (Friedman M., 1970) gives way to a much broader view of CSR. The main directions in which CSR is manifested and contained in its definitions show that corporate social responsibility is known phenomenon.

Another definition of social responsibility according to the 1979 *Academy of management review* is behaviour that is in response to the "prevailing social norms, values and expectations for implementation"—a conceptual framework for environmental analysis of

social issues and evaluation of business response patterns. (Sethi, S. P. (1979). According to the author's view, the business should at least be responsible for the environmental and social costs incurred by their activities; the most optimal would be for businesses to respond and contribute to solving society's problems.

Furthermore, according to the *Academy of management review* "*socially responsible behaviour is anticipatory and preventative, not responsive and restorative*" (Sethi, S. P. (1979). Characteristics of Corporate Social Behavior include taking a stand on public issues, anticipating the future needs of society and acting to address them, as well as discussions with the government regarding existing and anticipated corporate social legislation.

- In principle, CSR means that the company's business model must be socially responsible (the company's activities should benefit the public) and environmentally sustainable (the company's activities should not harm the environment).
- Garriga and Mele (2004) have proposed a different approach to categorize different CSR theories. They differentiate theories by basing their emphasis on aspects of social reality.

1. Instrumental theory: A corporation is assumed to be a tool for wealth creation. Social activity is accepted only as a means to an end for wealth creation (e.g. shareholder approach).

2. Political theory: in this approach, the social power of a corporation is emphasized in particular to relations with the public and the company's responsibility on the political scene associated with that power. Therefore, corporations accept social rights and obligations or participate in certain provisions of social cooperation (e.g. corporate citizenship).

3. Integrative theory: The point here is that corporations need to integrate social demands into their businesses, as they depend on society for their growth and existence (e.g., stakeholder approach, corporate social performance).

4. Ethical Theory: The connection between corporation and society is understood to be embedded in ethical values. Businesses should accept social responsibilities as well as ethical obligations as the highest value (integrative stakeholder theory, the concept of sustainable development) (Garriga E., Mele D. 2004, pp. 52-53).

## 5.3 Development of CSR

At the end of the nineteenth century, the emergence of the first large corporations gave the industry a tremendous new power that drew public attention to the need for some corporate social responsibility. Before the 1920s, business scientists warned that society would go against the business and rapidly growing corporations if they neglected their social responsibilities (Hoffman, R. 2007). Other materials, looking in the early 1920s, highlights the social responsibility of business.

According to Robert Hay and Ed Gray, the public perception of corporate social responsibility goes through three phases over the last century:

- Profit Maximizing Management

Although some observers in the early twentieth century discovered the need for social responsibility, society generally believed that business was responsible only for its immediate interests. This view prevailed from the beginning of the century to the 1930s.

- Trusteeship Management

In the 1930s, the Great Depression and the rise of unions required business organizations to ensure safe working conditions as fundamental social responsibility. Businesses already take into account factors other than profitability, such as workers' benefits, retirement plans, and working conditions.

- "Quality of Life" Management

In the 1960s, managers and organizations were already operating under the third phase of public perception of corporate social responsibility. At this stage, it is believed that managers and companies should be directly involved in solving social problems. It is defined by the increased social concern about the regulation of economic activity, and the influence of the consumer's movements (Hay, R., Gray, E., 1974)

## 5.4 Contemporary perspectives

Memo of the European Commission explains that, in order to respond to their social responsibility fully, businesses should fuse social, environmental, ethical and human rights issues into their business plans and procedures and in their core strategy but always in agreement with their stakeholders.

The aim is both to maximize the positive impacts - for example, by innovating new products and services that benefit the society and the businesses themselves - and to minimize them and prevent the negative impacts (European Commission 2011).

Table 1 (based on Carol and Buchholtz's book Business and Society: Ethics and Stakeholder Management, 2003: P. 71) classifies some of the major stakeholder groups into primary and secondary categories:

<b>Primary stakeholders</b>	<b>Stakeholders (owners)</b>
	<b>Workers</b>
	<b>Customers</b>
	<b>Business partners</b>

	<b>Communities</b>
	<b>Future generations</b>
	<b>The environment</b>
<b>Secondary stakeholders</b>	<b>Local, State or Federal government</b>
	<b>Regulatory institutions</b>
	<b>Civil organisations</b>
	<b>Special interest groups</b>
	<b>Industry</b>
	<b>Media</b>
	<b>Competition</b>

Table 1.

## 5.5 Types of social responsibility

The concept of corporate social responsibility means that companies have moral, ethical and charitable commitments in addition to their responsibilities to earn a good return for investors and at the same time, follow the letter of the law.

Corporate social responsibility is a set of voluntary, not coercive, attitudes, decisions and actions. If the attitudes, decisions and actions of consumers and the state coincide with the attitudes, decisions and actions of the organization, then consumers and the state accept that it is a socially responsible organization and vice versa (Arvidsson, A., Peitersen, N., 2013).



## 5.5.1 Internal drivers of corporate social responsibility in the organisation

According to Mory et al. 2016, the internal dimension of the relationship between management and employees focuses on the following areas:

- safe working conditions,
- employment stability,
- maintaining an adequate system for assessing contributions and compensation,
- additional medical and social insurance for the employees,
- development of human resources through training and skills development,
- assisting workers in critical situations

(Mory, L., Wirtz, B., & Göttel, V. 2016).

## 5.5.2 External Corporate Social Responsibility

The external dimension of the organisation's relationships with its partners, suppliers, the local community and the environment. In turn, it aims at:

- sponsorship and corporate charity,
- assistance in environmental protection, interaction with local communities and local authorities,
- readiness to participate in critical situations, accountability to consumers of goods and services through the provision of quality goods.

The most common corporate social responsibility responsibilities and commitment of an organisation are:

- Economic responsibilities

These are the most important social responsibilities of the company. Milton Friedman sees them as the company's only legitimate social responsibilities. They require managers to maximise profits when possible. The assumption of John Pearce and Richard Robinson in their book "Strategic management: formulation, implementation, and control." it is that an important responsibility for a company is to make and sell a product or a service for a reasonable price. The fulfilling of this responsibility will also obtain for the firm a socially responsible status in the community at large. An example of such fulfilment is job creation. (Pearce, J., & Robinson, R. 2007).

- Legal responsibilities

They reflect the firm's obligation to comply with the law. Such compliance includes both the general civil and criminal law applicable to the public as well as the specific rules governing economic activity.

(Carroll, A. B., 1999)

- Ethical responsibilities

These responsibilities reflect the company's perception of proper business behaviour. Ethical obligations usually go beyond legal requirements; companies are expected, but not necessarily required, to behave ethically. Sometimes in business it may be challenging to distinguish between what is ethical and what is not.

(Carroll, A. B., 1999)

- Unregulated (discretionary, philanthropic) responsibilities

Unregulated obligations are usually those assumed voluntarily by the business organisations. They are of three types: public relations, high public / civic awareness, and full corporate social responsibility.

Through public relations activities, managers try to improve the image of the company and its products and services by supporting worthy causes.

Companies that embrace high public / civic awareness actively support ongoing charity campaigns or public interest issues.

Commitment to full corporate social responsibility requires managers to attack social issues with the same efforts that attack their business plans (Carroll, A. B., 1999)

## 5.6 CSR approaches

There are clear arguments on both sides of the debate on social responsibility. Some suggest an even greater social role for business; others argue that the role of business is already too large. There are four basic positions an organisation can take in terms of protecting the environment and its obligations to society.

### 5.6.1 Social opposition

Numerous organisations take a position that may be called a social opposition approach to social responsibility. These companies usually do as little as possible in the area of social responsibility.

When they cross the ethical or legal line that separates acceptable from unacceptable behaviour, their usual reaction is to deny or try to conceal what they have done.

### 5.6.2 Social obligation

A social obligation is a position towards social responsibility in which an organisation will do whatever is required of it legally, but nothing more. Managers in such organisations take the position that their job is to generate profits. An example of such behaviour may be the installation or production mandated by law equipment, but at the exact specifications required and no higher than that. Even though the higher calibre of that

equipment may get better environmental protections. (Barney, J. B., & Griffin, R. W., 1992).

### 5.6.3 Social response

The next common approach to social responsibility is social responsiveness. A company in such a position meets its essential legal and ethical obligations but also goes beyond social obligations on a preferred basis.

These firms will voluntarily agree to support charitable programs and other initiatives. However, they will have to be the ones being approached for participation, not the other way around (Barney, J. B., & Griffin, R. W., 1992)

### 5.6.4 Social activity

The socially active approach of the highest degree of social responsibility that a company can exercise. A position in which an organisation positions itself as a citizen in society and actively seeks opportunities to contribute to that society (Barney, J. B., & Griffin, R. W., 1992). In their 2008 book "*Corporate social responsibility: Doing the most good for your company and your cause*" Philip Kotler and Nancy Lee give an example with the McDonald's Ronald McDonald House program, where homes located mainly in metropolitan areas and in proximity to major medical centres host families while their sick children receive medical treatments (Kotler, P., Lee, N. 2008).

## 5.7 The goals of CSR

When it comes to CSR goals, there are maybe different expectations from different stakeholder groups, various standards, and diverse practices that lead to an understanding of CSR.

CSR practice standards not only vary from one company to the next, but also from one industry to another. Some organisations adopt their CSR activities to reduce the adverse effects on the society or environment resulting from the activity in which they are involved. For example, oil companies focus on improving air and water quality, or soft drink companies invest in restoring water to the community from which they draw resources. The activities of CSR companies are aimed at ensuring the continued contribution of people and products for their operations.

Some of the goals of corporate social responsibility are:

- conducting business in an ethical manner and in the interest of the general public;
- positive response to emerging social priorities and expectations;
- willingness to act after regulatory review;
- balancing the interests of shareholders against the interests of the general public;
- Be a good citizen in the community.

(Fitch, H. G., 1976)

## 5.8 CSR models

### 5.8.1. CSR Pyramid Model

A leading CSR model is the four-part pyramid of Archie B. Carroll. The CSR Pyramid was created to cover the full spectrum of public expectations for business responsibilities and to be defined in terms of categories. According to the model, four types of social responsibilities represent CSR in total: economic ("to make a profit"), legal ("to comply with the law"), ethical, and philanthropic ("to be a good corporate citizen"). According to Carroll, the pyramid is used to depict the conceptual model of CSR and is intended "to outline how the common CSR of business incorporates different components that, taken together, represent the whole." (A. B. Carroll, 1991): 39–48.)

The model categorises the various responsibilities hierarchically, in descending order of importance. According to the model, the most basic is economic responsibility; all other business responsibilities are based on the economic responsibility of the company because without it, the rest are no longer relevant. (A. B. Carroll., 1991). Other than its economic responsibility, businesses are expected to follow the frame of the law. The legal responsibility is depicted as the next layer of the pyramid. Following is the ethical responsibility of the company, namely activities or practices that are unexpected or frowned upon by members of the society, even though they are not prohibited by law. The last at the top of the pyramid is the philanthropic responsibility, which is discretionary by nature. The pyramid aims to describe the necessary and sufficient number of obligations that socially responsible enterprises must comply with (A. B. Carroll., 1991).

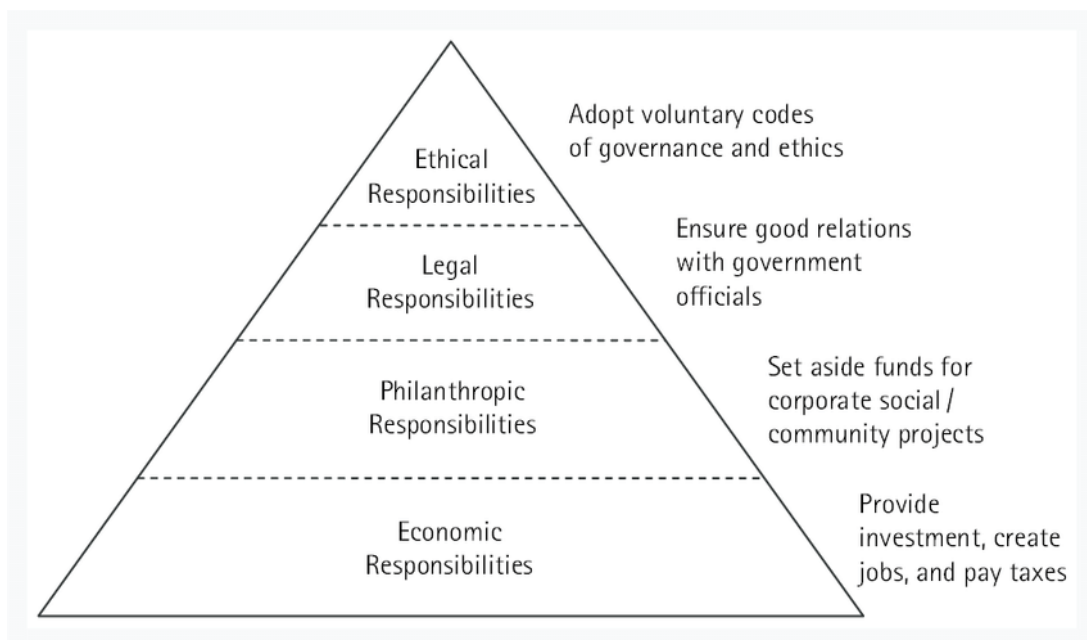


Figure 4. *CSR pyramid for developing countries (Visser, W., 2006).*

## 5.8.2. CSR Intersecting circles model

According to Schwartz and Carroll (2003), the CSR pyramid model cannot fully capture the convoluting nature of CSR layers, nor does it represent all possible points of balance between them. This reciprocity is recognised as an integral feature of CSR. It is of such fundamental importance that Schwartz and Carroll understand that it is necessary to propose an alternative approach to CSR - one that embraces the main areas of responsibility and clearly describes their relationship. The model of intersecting circles of CSR disproves the notion that CSR is nothing but a collection of conditional, externally related topics; but rather, it has different responsibilities that interact dynamically with each other, and the central role of corporate social responsibility is to create harmony and resolve conflicts between them. (Schwartz, M. S., & Carroll, A. B., 2003).

The authors argue that the basic idea behind this model is that none of the CSR domains is, at first sight, more important or significant than the rest. In particular, economic responsibility is not necessarily the most fundamental. Corporations are expected to do business, but above all, they are social creatures whose existence depends on the willingness of society to support them. From this point of view, the social responsibilities of the company are not necessarily less important than their economic ones (Schwartz, M. S., & Carroll, A. B., 2003).

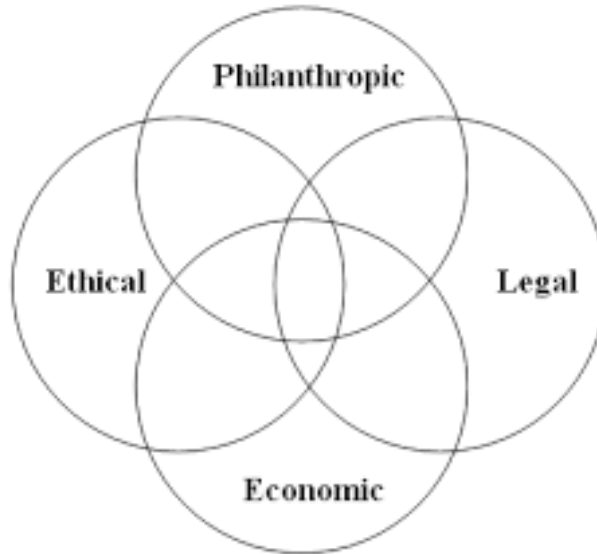


Figure 5. *Intersecting circles of CSR*

### 5.8.3. CSR Concentric Circles Model

The CSR concentric circle model was adapted from a statement published in 1971 by the Committee for Economic Development (CED) an American association of influential business leaders. In their statement, CED advocates that social obligations for business companies are not only possible but also morally necessary, and calls on businesses to adopt a broader and more humane and generous standpoint of their function in society. (Committee for Economic Development., 1971).

The original model consists of three concentric circles. The inner circle is the main responsibility of the business in terms of corporate social responsibility. It includes the main responsibilities for the efficient functioning of the business - products, jobs and economic growth. The intermediate circle, which can be seen as a circle of ethics, covers responsibilities for compliance with fundamental ethical norms, as well as changing societal values and priorities. The outer circle, the equivalent of a philanthropic circle, outlines the emerging responsibilities that business must take on in order to take a greater



part in actively improving the social environment. Legal responsibilities are not explicitly presented in the original CED framework, but rather have been successfully integrated into other corporate responsibilities. The version of the concentric circle model presented in Figure 6 (a) differs from the original 1971 model Figure 6 (b) in that it places corporate legal responsibilities in an additional circle between economic and ethical ones, for greater clarity and to create a regular basis for comparison between the three models of corporate social responsibility. (Geva, A., 2008).



Figure 6. (a)

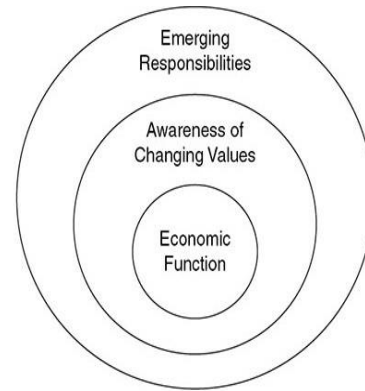


Figure 6. (b)

*Concentric circle model of CSR (Geva, A., 2008).*

## 5.9 Potential industry benefits from CSR

Commitment to CSR can benefit a company in several ways:

- It can help to attract and retain qualified personnel;
- Bring new investment;
- It can attract ethically conscious clients;
- This can reduce costs through recycling;

- It sets the company apart from its competitor and can be a source of competitive advantage;
- All mentioned above can lead to increased profitability in the long run.

The scale and nature of possible CSR benefits for an organisation can differ depending on the nature of the enterprise and are difficult to quantify. Orlitzky, Schmidt, and Rynes, in 2003 found a correlation between social/environmental indicators and financial performance. However, companies should not look for quickest short-term financial gains when developing a CSR strategy. A socially responsible strategy can be based within the company's departments, such as human resources, business development or public relations, or entirely new department can be set up reporting to the CEO or, in some cases, directly to the board of directors (Schwartz, M. S., & Carroll, A. B., 2003)

The foundations for CSR within the company is most likely based on one or more of these arguments:

## 5.9.1 Human resources

A CSR program can be a tool for recruiting and maintaining a number of qualified staff, especially in a competitive market for graduate students. Potential recruits often ask about the company's CSR policy during an interview, and as an overall policy, it can take precedence. CSR can also help improve a company's perception of its staff.

## 5.9.2 Risk management

Risk management is a vital part of many corporate strategies. Reputation takes decades to build and can be destroyed in seconds as a result of incidents such as corruption scandals or environmental disasters. These issues can also attract unwanted attention from regulators, courts, the government and the media. Building a culture that teaches "do the right thing" attitude within a company can prevent these risks.

### 5.9.3 Brand distinction

In highly competitive markets, companies strive for a unique portrayal of their product and brand that distinguishes them from the competition in the minds of consumers. CSR can play a role in building customer loyalty to the brand, based on distinctive ethical values. Business organisations offering services can also benefit from building a reputation based on integrity and good work practices.

### 5.9.4 Licensed work in term of certification or examination

Corporations try to avoid disruptions in their business due to taxation or regulations. As essential voluntary steps, they can convince governments and the general public that they take serious attention to issues such as health and safety, diversity, environmental care, as good corporate citizens in terms of labour standards and environmental impacts (Thorpe, D., 2013).

## 5.10 Evaluation of corporate social performance

Any company that is seriously thinking about its social responsibility must make sure that the efforts are focused in the right direction. Thus, the application of the concept of direction of social responsibility is necessary. Many organisations require their current and new employees to read their code of ethics and sign a declaration that they agree to abide by it.

Businesses must also take it into account in their social activities. Social reporting about the company is also vital. According to McWilliams and Siegel, 2001 It is the idea of sowing to society at large the social and environmental importance of the firms' business ventures and activities in order to gain their trust.

(McWilliams, A., & Siegel, D., 2001).

Social reporting emphasises the idea of corporate accountability. D. Crowther defines social reporting in this sense as:

*"an approach to reporting the company's activities, which emphasises the need to identify socially responsible behaviour aimed at those to whom the company is responsible and to develop appropriate reporting measures and techniques."* (Crowther, 2000, p.20).

An example of social reporting, but to a lesser extent, is found in the annual report of companies, as required by British company law.

Organisations occasionally conduct audits of corporate social responsibility. An audit of this type can help the company to analyse in-depth the efficacy of its CSR policy. How well organised are the firm resources are when it comes to Social policy initiatives, and pinpoint weak points to be addressed in the future.

(Morimoto, R., Ash, J., & Hope, C., 2005)

## 5.10.1 Advantages and disadvantages of social responsibility

There are different views on the importance of social responsibility for the business. The following are some pros and cons, developed by Pearce, J. A., Robinson, R. B. and Zahra, S. A. 1989.

- Arguments in favour of social responsibility:

1. In the best interest of the company - on the one hand, when organisations fulfil their obligations to the community as a whole, in the long run, it is beneficial for the business itself. On the other hand, if businesses do not engage in social issues, society will sooner or later demand that this be done, such as by organising boycotts and protests.

2. Responsible social action can be profitable - Supporting a social cause will ultimately contribute to the long-term profitability of the business organisation. For example, donations for higher education can make a stable connection between a corporation and

some universities. Such a relationship can help the corporation hire the most promising graduates.

3. The ethical thing that can be done - This argument emphasises that companies must commit to social responsibility because they have a moral obligation to do so.

4. It improves the company's image in society.

5. No one stands above the law - This notion maintains that businesses have a responsibility to work toward an orderly, society that follows the law.

6. The best interest of shareholders - Social responsibility will improve the share prices in the long run, from the stock market point of view the company will be considered less risky and therefore will have a higher price-earnings ratio.

(Pearce, J. A., Robinson, R. B., & Zahra, S. A., 1989).

• Arguments against social responsibility:

1. Overcoming social problems must be the responsibility of the government - This argument shows that businesses are relieved of all their social obligations by making a profit, taxes on which provide money for the government to initiate social programs.

2. The price of social responsibility is too high and will increase the prices of goods and services too much.

3. Social responsibility programs cannot be accurately evaluated - Proponents of this argument argue that managers cannot accurately measure the effects of social programs.

4. Business does not have the social skills to solve social problems.

5. Social responsibility slows down the realisation of the main goals of the business - According to this argument, any social activity on the part of the companies practically diverts the business from its main goal - to maximise the profits for the shareholders. (Pearce, J. A., Robinson, R. B., & Zahra, S. A., 1989).

## 5.11 Strategic Corporate Social Responsibility

Using a strategic approach, companies can determine for which socially responsible activities they have the necessary resources and choose those that will strengthen their competitive advantage. By planning CSR as part of a company mission, the firm can ensure that profits and shareholder appreciation do not overshadow the need to behave ethically towards society.

Strategic CSR provides companies with solutions for:

- Balancing between the created economic value and the public value;
- How to manage the relationship with stakeholders;
- Identifying and responding to threats and opportunities facing their stakeholders;
- Development of sustainable business practices;
- Determining the capacity of the organisation for charitable activities.

(Madrakhimova, F. S., 2013).

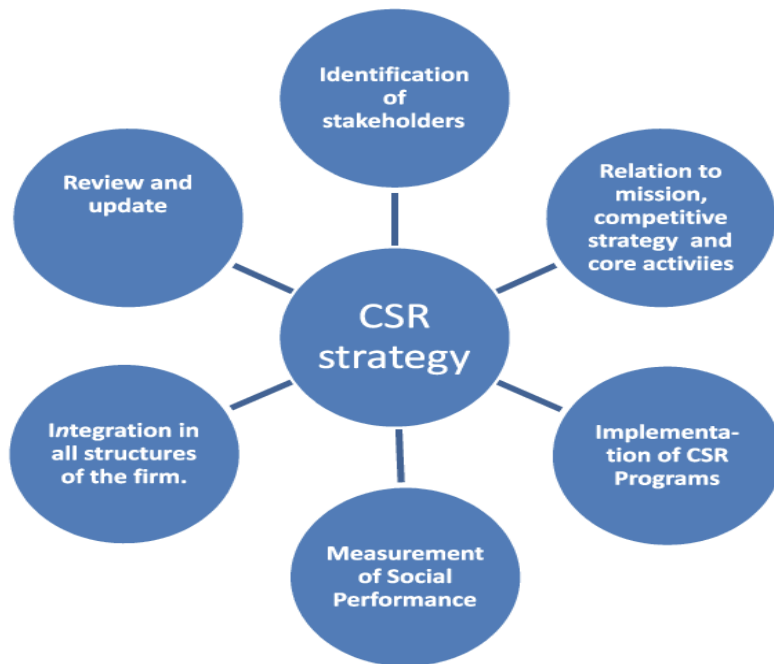


Figure 7. *Essential Components for formulation of CSR strategy*

*Source: (Slavova, I., 2013).*

## 5.12 Government regulation of the business

Regulation occurs when the government tries to influence business by creating legislation and rules that dictate what businesses can and cannot do in the areas outlined in the said legislation.

- Direct regulation

In terms of social responsibility, business regulation focuses on the environment, customers, employees and investors. The government has set up special agencies to monitor and control certain aspects of economic activity in order to enforce the legislation. These agencies have the power to impose fines or bring civil or even criminal charges against organisations that violate their regulations.

- Indirect regulation

Other forms of regulation are indirect. For example, the government can indirectly influence business social responsibility through taxes - it can influence how businesses distribute their social responsibility money by providing greater or lesser tax breaks (Knudsen, J. S., & Moon, J., 2019).

## 5.13 CSR mechanisms

Industry associations are well-versed in the development of CSR at home and abroad and may undertake work related to it, or associate with others who have. They can also offer opportunities to interface with partners. Another resource is the inclusion of organisations specialising in CSR, which are dedicated to the promotion and study of sustainable development and activities in the field. The World Business Council for Sustainable Development (WBCSD), the Business for Social Responsibility (BSR) and the Conference Council are among the well-known international CSR bodies that have national branches or affiliates. These organisations conduct research, organise conferences and seminars, and also publish regular newsletters and other publications on CSR issues. At the same time, it is also useful to explore existing CSR tools that are designed to provide guidance on what companies should do and how to do it. Some of them, such as the OECD Guidelines and the UN, have been developed by governmental organisations and reflect internationally accepted norms and standards. Others, such as ISO standards or GRI, have been developed in partnership with businesses, NGOs and other experts. There are also a large number of sector-specific codes and guidelines that have been developed by the business community. In assessing which of them (or which combination) may be most useful, it will be important to consider such issues as who else uses them and how well they represent a government or social expectations (Bice, S., 2017).



## 5.14 Theoretical frame of industrial clusters

For the first time in 1990, the topic of clusters has found a place in publications by Professor Michael Porter. He explains clusters as a Geographical collection of business-related or similar in purpose companies with active connections, communication and exchange, sharing a specialised infrastructure, labour markets or a resource, and also share common opportunities and threats. A similar definition is given by other authors as well. (Malmberg, A., 2003)

The aim is to achieve a more efficient concentration of resources to improve competitiveness in as many areas of activity as possible and to expand the range of resources of each participant. In this way, opportunities are created for organising a group of producers - legal entities, sole traders and individuals, around one or more unifying products or services that will be attractive to investors (Cortright, J., 2006).

Clusters are increasingly seen as an essential tool for fostering innovation and economic development. It may prove challenging to say precisely how many clusters there are now in Europe, but there are a large number of European public institutions for monitoring and managing clusters (CENCE, European Clusters Association, ECCP and others). Cluster development is usually an undertaking at a national or regional level; it is crucial to clarify the importance of cross-border or inter-cluster connections in order to respond to market globalisation. International intercluster links have been shown to increase competition and promote services and products offered by the clusters.

The cluster is a kind of self-organising production system in which companies cooperate in vertical or horizontal "chains" to obtain additional added value and increase competitiveness. The cluster consists of a group of companies that usually have some experience in cooperating with each other. The individual projects aimed at the interaction of companies in terms of innovation, design, quality, product development and marketing are critical. However, an essential thing that the cluster can achieve is the practical step towards business cooperation and an incentive for the development of assets, technologies, infrastructure and joint investments, effects that could not be achieved by

a single company. The creation of a cluster leads to a significant reduction in costs for network members (Cortright, J., 2006)

Answer to the first research question **What are the different approaches of corporate social responsibility that companies usually take?**

As already mentioned above, Garriga and Mele (2004) have proposed a different categorisation of CSR based on social reality.

First, the corporation is an instrument for making profits and any social actions it may take, are focused on maximising that profit. Second, the corporation may engage in some social behaviour, but with political motives or obligations—corporate citizenship.

Another way companies may engage is by accepting social functions in order to gain public favour (e.g., stakeholder approach, corporate social performance).

And last, society and business have an embedded social connection and mutual obligations.

According to Robert Hay and Ed Gray, they are different phases of development of perceptions of corporate social responsibility profit maximising management - the doctrine of Milton Friedman, Trusteeship Management, "Quality of Life" Management.

In more modern days, the aim of CSR is both to maximise the positive impacts - for example, by innovating new products and services that benefit the society and the businesses themselves - and to minimise them and prevent the negative impacts (European Commission 2011). The concept of CSR means that companies have moral, ethical and charitable commitments in addition to their responsibilities to earn a good return for investors and at the same time, follow the letter of the law.

Internal and external drivers of CSR

Internally, the company may be driven to engage in CSR

According to Mory et al. 2016, in order to ensure safe working conditions, employment stability, maintaining adequate compensation, provide medical and social insurance for the employees, training and skills development, critical situations assistance.

Externally, CSR may be helpful in getting the community on the company's side. By participating through sponsorship and corporate charity events, assisting in environmental protection, interaction with local communities and local authorities.

Commitment to full corporate social responsibility requires managers to attack social issues with the same efforts that attack their business plans (Carroll, A. B., 1999)

There are four different CSR approaches that companies can take when protecting the environment and its obligations to society.

The first approach is the so-called social opposition; these companies usually do as little as possible in the area of social responsibility. These type of companies do not have a functional CSR policy and resort to concealment and court battles.

Another approach is the social obligation, a social responsibility in which an organisation will do whatever is required of it legally, but nothing more. An example of such behaviour may be the installation or production of mandated by law equipment, but at the exact specifications required and no higher than that (Barney, J. B., & Griffin, R. W., 1992)

The next common approach to social responsibility is the social response, a company in such a position meets its essential legal and ethical obligations but also goes beyond social obligations on a preferred basis.

Fourth, social activity, socially active approach of the highest degree of social responsibility that a company can exercise. A position in which an organisation positions itself as a citizen in society and actively seeks opportunities to contribute to that society (Barney, J. B., & Griffin, R. W., 1992).

## 6. Analysis

Compared to the past days of Andrew Carnegie and John D Rockefeller where CSR was seen as something wealthy individuals do at the end of their careers, mostly in philanthropy work, today CSR is seen as an activity that is not a one-time act, but a sustainable process (Grigore, G., 2010).

A key point to note is that CSR is an evolving concept, i.e. it does not currently have a universally accepted definition. In general, CSR is understood as the way in which companies integrate social, environmental and economic issues into their values, culture, decision-making, strategy and operations in a transparent and responsible manner, which in turn makes it possible to establish good practices within the company, creating wealth and improving society. As issues of sustainable development become increasingly important, the question of how the business sector views companies is also becoming an element of CSR. The concept of corporate social responsibility means that organisations have moral, ethical and charitable responsibilities in addition to their responsibilities in order to earn a fair return for investors and in accordance with the law. The World Business Council for Sustainable Development has described CSR as a business contribution to sustainable economic development. Based on compliance legislation and regulations, CSR typically includes commitments as well as activities related to:

- corporate governance and ethics;
- health and safety;
- environmental management;
- human rights (including fundamental labour rights);
- Sustainable Development;
- working conditions (including safety and health, working hours, wages);
- industrial relations;
- Community involvement, development and investment;
- participation and attitude towards different cultures and disadvantaged peoples;
- corporate philanthropy and volunteer employee;
- customer satisfaction and adherence to the principles of fair competition;
- to fight bribery and anti-corruption measures;
- accountability, transparency and accountability of implementation;
- Supplier relationships, for both domestic and international supply chains

(Willums, J. O., 1998).

These elements of CSR are often interconnected and interdependent and apply to companies wherever they operate in the world. CSR positions companies to proactively manage risks and take advantage of opportunities, especially in terms of corporate reputation and broad stakeholder engagement. The latter may include shareholders, employees, customers, municipalities, suppliers, governments, non-governmental organisations, international organisations, and others affected by the company's activities. First of all, CSR is sensitive to the public and environmental activities of companies related to their implementation. It is a matter of moving beyond their declared intentions for effective and measurable actions with public impact. Reporting on their implementation is part of transparent, responsible and therefore reliable corporate behaviour. There is significant potential for problems if stakeholders understand that a company is engaged in public relations and cannot show concrete actions that lead to real social or environmental benefits.

As mentioned in the theory part of the thesis, stakeholder in corporations may include shareholders, NGOs, business partners, creditors, insurers, municipalities, regulators, intergovernmental bodies, consumers, employees and investors. According to Carol and Buchholtz, stakeholders can be classified into two groups - primary or secondary. In the case of DPM the primary stakeholders are the corporate investors of DPM Canada, the workers in the plant, customers, the business partners mainly the companies in the cluster "Srednogorie" surrounding the company, the communities nearby like the towns of Chelopech, Pirdop, Zlatitsa, Mirkovo and Chavdar. Also mentioned are the future generations in the face of the students in the local schools and university students, which are also potential workers, as well as the future residents of the area—furthermore, the environment, the area of the mine location.

Secondary stakeholders, in this case, are the local and state authorities in the face of the Bulgarian government and the municipalities in the area.

Another stakeholder is the regulators appointed by the local and state governments—civil organisations and special interest groups, like eco organisations and lobbying groups for competitors.

Other stakeholders are industry, which may be part of the supply chain, media and competition, which in this case also maybe their partners in the industrial cluster. This stakeholder relations will be illustrated with examples in the following discussion section.

### Arguments for and against Corporate Social Responsibility

The problem of social responsibility of organisations has long attracted the attention of professionals and society, but only in the 60s began to question the "Freedman's doctrine" that the only social responsibility of management is that businesses bring maximum profits. The main arguments for and against corporate social responsibility are shown in Table 2 below, based on( Carroll, A. B., & Buchholtz, A. K., 2014)

Arguments in favor CSR	Arguments against CSR
The rise of the modern corporation has created and continues to create many social problems. Therefore, the corporate world must take responsibility for solving these problems. Not all corporations are socially responsible as they claim, but they have to fix the problems they create. The case of "British petroleum" spill in the Gulf of Mexico and the cleaning efforts after that.	Solving social and moral issues is economically unviable. Corporations need to focus on making a profit for their shareholders and leaving social issues to others. Meaning, they pay there taxes and obligations, social responsibility should be taken care of by the state and non-profit organisations.
In the long run, taking on social responsibilities may be of great interest to corporations. This will increase their chances of having a future and reduce their chances of increasing government regulation. It is assumed that social responsibilities will put these corporations at a competitive disadvantage compared to those that do not. In DPM case, mining is an industry wich being scrutinised more and more in our society for its inherent reputation of pollution and destruction. CSR may be for them a way to move into	Social responsibilities place the corporations in question at a competitive disadvantage compared to those that do not take on social responsibilities. In this line of thinking, socially responsible companies have less profit than irresponsible companies.

the new age of green economies and survive.	
Large corporations have large reserves of human and financial capital. They must devote at least part of their resources to solving social problems.	Those who are most capable should address social issues. The corporate world is not created or prepared to deal with social problems.

Table 2. *The table is based on the book by Carol and Buchholtz - "Business and Society: Ethics and Stakeholder Governance", 2003: P. 71*

Many factors and influences have led to the need for increased attention, which we must pay to the role of companies and their corporate social responsibility. They include Sustainable Development and the fact that humanity is using natural resources faster than they can be replenished, and future generations will not have the necessary resources for their development. In this sense, much of the current development is unsustainable and cannot continue, both for practical and moral reasons. CSR is an entry point for DPM and understanding the issues of sustainable development and their answer, reflected in the business strategy of the company. According to DPM business model and corporate strategy, CSR is a fundamental value in their development strategy.

# Business Model and Strategy

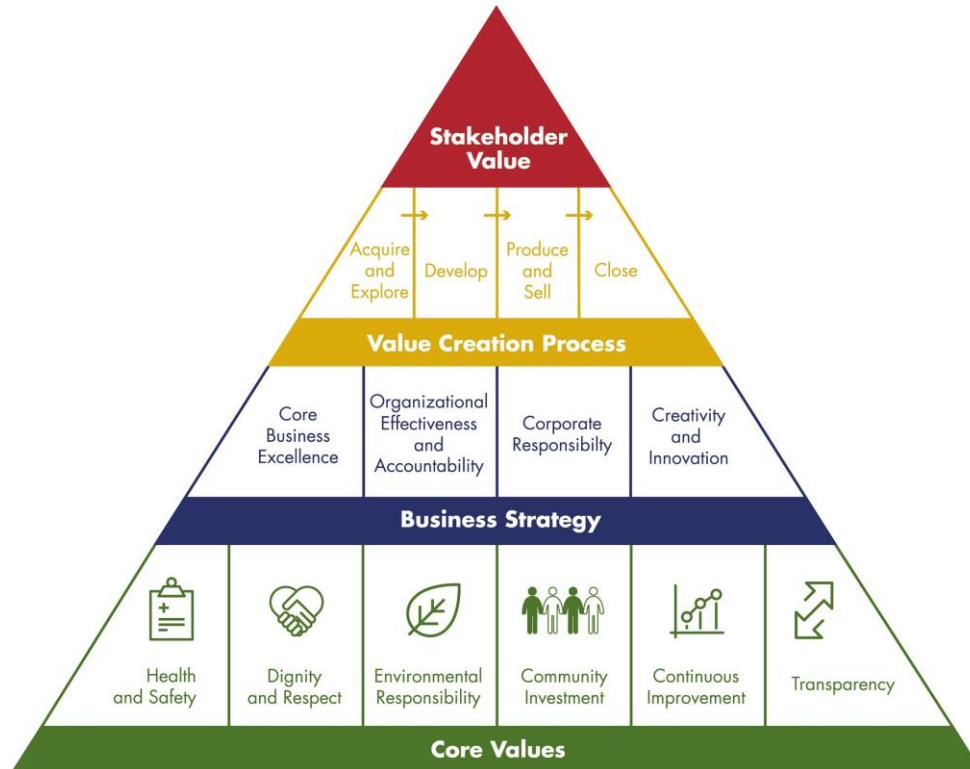


Figure 8. *DPM Business model and strategy -company website*

According to Paolo Maccarrone (Maccarrone, P., 2009), many factors and influences have led to the need for increased attention, which we must pay to the role of companies and their corporate social responsibility. They include Sustainable Development and the fact that humanity is using natural resources faster than they can be replenished, and future generations will not have the necessary resources for their development. In this sense, much of the current development is unsustainable and cannot continue, both for practical and moral reasons. CSR is an entry point for DPM and understanding the issues of sustainable development and their answer, reflected in the business strategy of the company. According to DPM business model and corporate strategy, CSR is a fundamental value in their development strategy.

Another factor is globalisation, with its accompanying focus on cross-border trade, multinational enterprises and global supply chains is a growing CSR concern related to



human resource management, environmental protection, health and safety, among other things. CSR can play a vital role in revealing how business affects working conditions, regional communities and economies, and what actions can be taken to support business, maintain and build the public good. This can be especially important for export-oriented companies in emerging economies. In the following discussion section, it can be seen that DPM is well-positioned in addressing the above-mentioned concerns. By investing heavily in personnel training and education, it is paying above-average salaries to decrease the poverty line, approaching health and safety concerns, freedom of speech and human rights.

Another factor is the impact on society that the corporate sector has with the sheer size and number of corporations. Their potential to influence political, social and environmental systems related to governments and civil society, raises questions of their accountability. According to their sustainability report, DPM is committed to transparency and accountability as it is shown on the governance section in the picture below.

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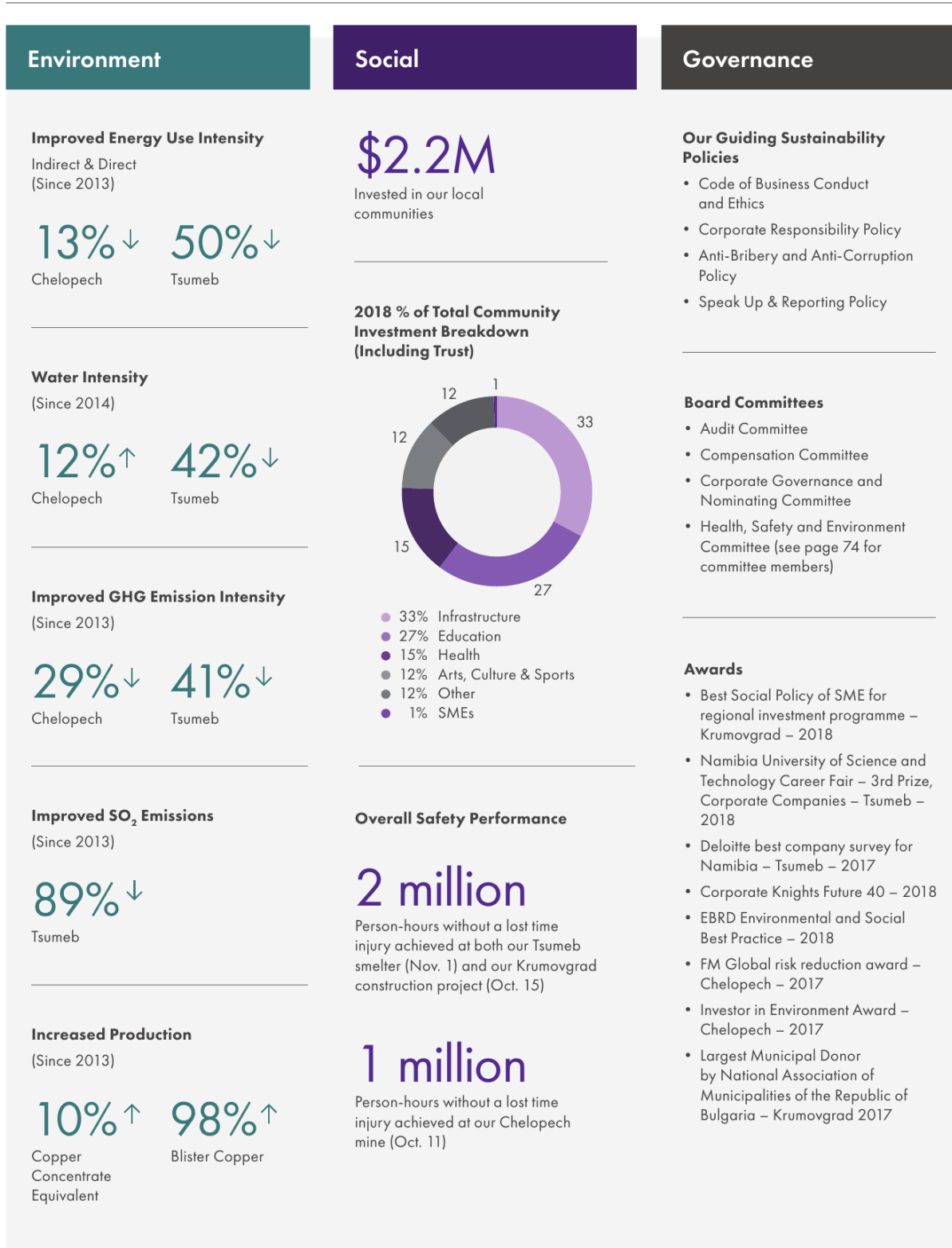


Figure 9. Sniped from the DPM sustainability report

Communications - advances in communication technologies, such as the Internet and mobile phones, have made it increasingly easy to track and discuss corporate activities. Internally, this can facilitate governance, accountability and change, and externally, NGOs, the media and others. can quickly evaluate and profile business practices that they consider problematic or exemplary. DPM uses communication technologies in its innovative remote mining practices to control ventilation, pumping and coming in and out of the mine.

Real-time monitoring of locations for the safety of workers and equipment, aiding analysis and decision making.

When it comes to another factor, financing, the consumers and investors are showing increasing interest in supporting responsible business practices and are pushing for more information on how companies respond to the dangers and possibilities associated with social and environmental issues. The CSR approach can help build value, lower the cost of capital and provide better responsiveness to markets.

### Leadership Consistency and Community

Citizens in many countries are discovering clarity about how corporations must meet high standards of social and environmental care, no matter where they work. In the context of CSR, companies can help build a sense of community and a collective approach to common problems. At the same time, there is an increase in awareness of the limits of state legislative and regulatory initiatives to cover everything related to this type of responsibility. CSR can offer flexibility and incentives for companies to comply with regulations, in areas where regulations apply or where regulations are unlikely.

### Business

is recognised as an effective approach to corporate social responsibility that can reduce the risk of business interruption, opening up new opportunities, driving innovation, improving a company's brand and reputation, and even improving its efficiency. Dundee Precious Metals is steadily becoming a leader in the communities it inhabits, through numerous donations for conservation, sport and community events, preserving cultural and historical heritage. Also, support for health and education initiatives, community infrastructure and development.

In the next chapter of the thesis "Discussion", will be analysed real-life examples of DPM social contributions.

Answer to the second research question - **How does Corporate Social Responsibility influence corporate reputation and the way the company is perceived through the supply chain and the community it operates?**

CSR is not limited to sponsorship and charity anymore and is recognised as a targeted business policy program and one of the tools that help strengthen the company's reputation, create and maintain effective and friendly relations with the state, society, employees, partners and local communities. So, the main purpose of the implementation of CSR is to increase trust in the company, on the inside with employees, as well as out in the community.

Corporate social responsibility is a long-term commitment of the company to behave ethically and contribute to commercial development, improving the quality of life of workers and their families, and the local community and society in general.

No company can be successful in the long run without building a reputation for trust and stability in ethical behaviour. The socially responsible behaviour of companies has what some may call a "ripple effect" through the supply chain. Examples of this effects are a long-term perspective for the development of the company, coverage of the social activity of a company in the media, social policy towards its employees helps to create a more comfortable climate within the company, reduces staff turnover and attracts professionals. Other benefits are an excellent opportunity to attract new investors and socially conscious clients. Moreover, socially and environmentally responsible practices are rewarded in many countries with different tax relief programs supporting the statement of Marty Stuebs and Li Sun (2010) that there is a correlation between good CSR policy and financial benefits

(Stuebs, M., & Sun, L., 2010).

## 7. Discussion

### Corporate Social Responsibility in practice - Dundee Precious Metals

As an international company based in Canada, the management seems to be well aware of the significant economic, environmental and social impact, as well as the risks and opportunities it creates in the regions where it operates. They also seem to be aware that these impacts may be different from the point of view of the different stakeholders on the basis of which they have structured their approach to their engagements, as well as to sustainable development and corporate social responsibility. Their corporate values, policies and standards are defined and developed in a way that ensures everyone in the company is aware of their responsibilities and that the appropriate resources are provided.

According to their mission statement, the development of the company sustainably and responsibly is the principal strategic goal of the company. Furthermore, from company publication and statements, the impression is that activities related to corporate social responsibility are not a cost for the business, but rather the strengthening of their strategic and competitive positioning. In other words, they believe that by doing good, they have the opportunity to be good.

In particular, the company is committed to sustainable business practices.

- The business should be economically sustainable and able to provide long-term benefits for all stakeholders;
- Through projects with a particular focus on realising both the immediate and long-term benefits of the company's activities given the economic future of local communities after the closure of ore mining and processing enterprises.
- A safe and healthy environment for work and life should be provided for all employees, their families and close communities. Management believes that every employee has the right to come home healthy after the end of each shift;

- Their activities interact with nature in a way that allows the preservation of a habitable environment for plant and animal species even after the end of mining activities, and which ensures that while the plant is in operation, the effects will be minimal;
- Minimising the risks for people and the environment from related to mining projects;
- Applying their vision and values from top to bottom along the entire chain to the final product;
- Using non-renewable and key resources efficiently.

All of these claims will be scrutinised in the following discussion part of the thesis by a way of analysis of company financial statements and sustainability reports.

Internal drivers - Workers is one of the critical parts of the. Therefore, a large part of their financial resources is invested in training, fair wages and activities that minimise the risks to health and safety of the people who work for them (Dundee Precious Metals., 2016) Corporate, regional and individual management programs and policies have been introduced to meet the diversity of the workforce due to the geographical and cultural differences of countries in which they operate. This combined approach enables them to implement targeted local programs to attract, retain and motivate their staff while taking into account the difference in local needs and cultures (Dundee Precious Metals., 2016) Human resources policies are implemented in the so-called Code of Ethics, as well as in individual, collective agreements and local labour laws and standards.

DPM has collective agreements in Chelopech with all of the staff under employment contracts, including the management unionised or not. And in Namibia for 88% of the staff under the employment contract, without the management (Dundee Precious Metals., 2017).

The company's aim is for their pay to be on average and higher than the average level for the countries in which they work.

Their job evaluation methodology like the "Mercer IPE method", and the "Patterson" method mostly used in Africa is primarily based on gender equality and generally strives for equal pay for men and women in the same position, according to experience and years of service. Tsumeb Namibia meets the requirements of the Anti-Discrimination Act (1998), which regulates equal opportunities for all. In all enterprises, workers must be at least 18 years old. DPM strictly observes the labour legislation of the countries in which it operates. When hiring, an identity document is required, and the age of the candidate is registered. Usually, younger workers are "attached" to more experienced ones until they get used to the demands of the job. Every worker has the right to leave his job after giving written notice to his immediate superior. The notice period is from one week to three months, depending on the position and terms of the contract. The minimum period for notifying employees of significant operational changes is one month valid for all subsidiaries (Dundee Precious Metals., 2019).

Dundee Precious Metals aims to hire local employees in all its subsidiaries. In practice, a minimal number of DPM staff are foreign, and most of the positions they hold are a function of the global shortage of people with specific experience and skills, such as research specialists, specific project specialists and geologists.

In all productions, they make progress in their plans for building and developing senior management teams of local specialists. The professional development of employees is the main goal of the company and therefore provide a variety of opportunities for acquiring new knowledge. The key in-house programs offer training and development of leadership skills and development of professional and technical qualities.

In addition, the cost of training, which is related to the official duties and takes place outside the workplace, can be reimbursed. These include university degree courses and short technical courses, as well as international operations management courses. The company's aim is for their pay to be on average and higher than the average level for the countries in which they work (Dundee Precious Metals., 2016, 2018).

Corporate health and safety policy

According to their Community Health, Safety and Security Management Plan Framework, DPM pays special attention to the health and safety of its employees and allocates significant funds for them. Their corporate health and safety policy was adopted in 2010 and covers all employees, including subcontractors, engaged at production sites. In addition to their internal policies and standards, they comply with the strict safety and health requirements of local laws in all countries in which they operate.

Health and safety committees have been set up at all their sites, in which both managers and workers are represented, and which have regular safety meetings to discuss the needs and requirements of each specific site of production. These committees represent 100% of their employees.

The use of personal protective equipment (PPE) is mandatory in all areas other than those designated as safe. Compliance with PPE requirements is the personal responsibility of each employee, including senior management, and OSH departments conduct regular on-site inspections. The requirements for PPE are detailed in the safety instructions, and the same strict standards are applied to the employees of a temporary contract as to those of a permanent employment contract. On the territory of the enterprises themselves, the managers are the ones who are responsible for the implementation of all practices and procedures (Dundee Precious Metals., 2016).

In Namibia, HIV / AIDS is widespread. DPM Tsumeb has developed specific policies that are in line with the Namibian constitution and other laws that prohibit discrimination based on a disability or disability, including HIV / AIDS. A disability management program for people living with HIV / AIDS has also been developed, which includes a wellness program with awareness-raising training on medical issues, medical procedures, counselling and the promotion of healthy living initiatives. DPM Tsumeb also provides medical insurance that covers the cost of antiretroviral drugs and home medical care for people living with HIV / AIDS.

Additionally, in Bulgaria, DPM has started a program called d "Because I Care to Be in Good Health" for workers, contractors and their families as a working mechanism for



addressing occupational, personal, psychosocial and behavioural health problems that could affect health, work, safety and behaviour in the workplace. Programs have also been developed to promote a healthy lifestyle, endurance and positive self-control (2014 Sustainability Report Dundee Precious Metals).

#### External drivers -

Environmental care, policies, and monitoring

DPM's policy for environmental protection and sustainable development dates back to 2006. It manages their strategies and actions regarding their environmental responsibility, which in turn covers not only the way they regard the natural and biological environment but in general the health and safety of the local communities in which they work.

In addition to their internal environmental policies and standards, fully comply with the strict environmental laws of the countries in which they operate. All this is stated in all material produced by the company and somewhat supported by other publications considering lack of bad press.

For example, both Bulgarian and European legislation requires that their facilities, procedures and processes comply with international best environmental management practices (*The Environmental Implementation Review COUNTRY REPORT – BULGARIA.*, 2019)

According to their statements, they intend to gradually introduce these practices in all their companies, regardless of whether the relevant national legislation requires them to meet such high standards. Their goal is for all their activities to be in line with international best practices, and the current capital expenditures they make on the ground attest to their intentions.

They also use the services of leading external environmental consultants for the design and implementation of various environmental projects, audits by regulatory authorities, management planning, feasibility studies, environmental and social impact

assessments.

In each of the companies, subsidiaries are in the process of application of ISO 14001 - an international standard covering various aspects of environmental management systems. Chelopech works according to the principles and requirements of the ISO 14001 standard. Progress has been made in this direction in Serbia and Namibia. Sadly none of the sites has plans for official accreditation under ISO 14001.

When it comes to energy savings, efficiency improvements, and initiatives to reduce energy consumption, in 2011, several initiatives were reported in Chelopech, which are an integral part of the Carbon Management Plan. In 2012, DPM continued to work on these and other initiatives, with estimated annual savings of approximately 8,000 MWh per year in indirect electricity consumption.

Activities continued in 2012 by connecting the mine fans with the energy monitoring system "Power Logic", with the possibility for remote control. Moreover, implementing smaller initiatives like the replacement of light bulbs in the mine with energy-saving ones; closing the cycle in wastewater recycling; installation of additional insulation in selected buildings; replacement of the existing heat transfer installation in the administrative building, improvement of the control of the heating system; adding new modules in the energy management system, and direct loading of the finished concentrate on the railway wagons on site.

## Greenhouse gas emissions

Their initiatives to reduce greenhouse gas emissions are linked to those to reduce energy consumption.

Raw materials and materials that emit ozone-depleting substances under the Montreal Protocol are used minimally at production sites and are therefore considered insignificant. Most of these raw materials can be found in refrigerators, fire extinguishers and air conditioning systems. The most serious emissions, apart from those of greenhouse gases, are those of sulfur dioxide (SO<sub>2</sub>). The installation of new filters on

their plants are in accordance with the technology approved by the US Environmental Protection Agency, and the data measured by them can be confirmed and calibrated. The data is subject to independent control by an accredited external laboratory. Also, the filters at these points are analysed every week for arsenic content by a laboratory accredited to ISO 17025.

In 2012, DPM officially announced its plans for the construction and commissioning of a sulfuric acid production facility, which is now a reality in Namibia (Dundee Precious Metals., 2019).

### Water consumption

The base in Chelopech is continuously working to reduce water consumption and discharge. Fresh water consumption decreased by 54%, falling from 1,149,823 m<sup>3</sup> in 2011 to 525,063 m<sup>3</sup> in 2012 as a result of innovations in tailings thickening and dewatering made in 2011. According to the data on the activity in the mine, 35% less water is used than reported and measured. In addition to the many initiatives under Project 2012. unfortunately, 2014, 2015, 2016 water usage went up due to natural and economic processes like heavy rainfall in 2013 as well as stoping in production. The ultimate goal is minimal discharge and minimal losses. New project facilities were commissioned in 2015 at the cost of approximately \$ 2.7 million (DPM sustainability report 2018)

### Land use and biodiversity

The project in Krumovgrad, which is the newest in the group is developing a mine located in the Ada Tepe area, approximately 3 km south of the town of Krumovgrad in the southeastern part of Bulgaria. In February 2011, the Bulgarian government granted a 30-year concession to develop the Khan Krum deposit near Krumovgrad (the Krumovgrad Gold Mining Project for short). This concession was appealed in court, and the Court of

Appeal ruled in favour of DPM in 2011. The concession is not subject to other further appeals.

In November 2011, the Bulgarian government signed a decision approving the project's Environmental Impact Assessment (EIA), including preliminary implementation. Non-governmental organisations appealed the EIA decision and preliminary implementation. In March 2013, the Bulgarian judicial authorities rejected these complaints.

The entire area of the gold mining project in Krumovgrad falls within the boundaries of the Natura 2000 protected area, also known as "BG 0001032 Rhodope East", according to Directive 92/43 on the conservation of natural habitats of wild flora and fauna of the European Council (Assenov, A., 2013). Also, the sites on the territory of the municipality of Krumovgrad that fall under the protection of the law on environmental protection are: Valchi Dol (reserve), Djelovo (protected area), Oreshari (protected area), Momina Skala (protected area), Ribino (protected area), Waterfalls (natural landmark), Caves (natural landmark). Each of the above areas is more than 5 km away from the project site of the industrial site. (Assenov, A., 2013).

In response to some of the concerns raised by NGOs during the EIA process, including the public hearings and the process of appealing the EIA decision, DPM is developing a comprehensive Biodiversity Monitoring Plan as part of their internal monitoring system. The plan identifies plant and animal species included in the Red List of the International Union for Conservation of Nature and related Natura 2000 directives and their respective risk of extinction, as well as their intentions to monitor, monitor and protect the identified species. In addition, the observations, assessments and methods used in the plan regarding the biotic structure of the environment are in line with local and international standards.

The main objective is to support environmental protection initiatives by monitoring and taking appropriate action according to the impact of the proposed mining production activities on the natural and biotic environment. In July 2012, in accordance with the regulatory requirements included in the Biodiversity Act and the EIA Decision, the relocation of turtles (terrestrial tortoises and thorns) outside the project have been made

in 2013. A total of 119 turtles have been successfully relocated, all in good health. In addition, to prevent their return to the old territory, a fence was built before the relocation project began. This project is the first of its kind in Bulgaria and was implemented with the participation of five qualified environmentalists and a volunteer group of 20 high school students (DPM sustainability report 2018).

#### Land closure and reclamation plan

An important part of any mining plan is the development of the mine closure and reclamation plan. Chelopech DPM has approved mine closure plans, which include estimates of the costs of reclamation and rehabilitation of industrial sites. They are described in detail together with the estimated contingencies in the annual financial statements from 2012 to 2019

*"At as December 31, 2019, the undiscounted future cost for estimated mine closure and rehabilitation costs before inflation was estimated to be \$52.1 million. The carrying value of the estimated mine closure and rehabilitation cost was \$40.9 million at December 31, 2019, and \$38.4 million at December 31, 2018" (DPM annual report 2019 p.51)*

#### Protection of cultural heritage

An extensive archaeological project in Krumovgrad was complete. After two years of intensive archaeological research and excavations, amounting to nearly \$ 2 million and involving leading archaeologists from Bulgaria and Germany, all archaeological activities to clear the development site were completed in the fourth quarter of 2012. After visiting the site in November 2012, the Bulgarian Commission for Archaeological Affairs signed a protocol with recommendations for the transfer of the site to the Municipality of Krumovgrad (DPM annual statement 2018)

#### Waste management

## Waste from ore processing

Both Bulgarian and European legislation ensures that the management of the tailings pond in Bulgaria is following rigorous standards and protocols. All subsidiaries of the company have developed or are developing policies for waste management from processing, commitments and management systems, which are subject to review by senior management.

The Chelopech tailings pond is operated under the Mining Waste Management Plan adopted by the DPM, the Comprehensive Mining Operational Project and the coordinated on an annual basis Ore Mining and Processing Projects, all of which are reported and approved annually by the Bulgarian Ministry of Economy energy and tourism in accordance with the Bulgarian Mineral Resources Act and European Directives. In addition to the above, the Municipality of Chelopech and the Civil Protection / Fire Protection annually approve an Emergency Plan for the tailings pond. The facility is also subject to internal and external technical audits. External audits are performed by a highly reputable international environmental consulting company, which inspects all monitoring data, documents, projects and procedures on a quarterly basis and performs an in-depth annual physical inspection of the entire waste facility. DPM also submits technical documents to a commission composed of external technical experts, local government officials and municipalities, and the facility is subject to physical and documentary inspections by a number of other state institutions when necessary (DPM Sustainability report 2018)

## Funds spent on municipalities and donations

At the beginning of 2012, the Dundee Foundation was established in Bulgaria mainly in order to be able to separate the costs incurred for corporate social responsibility at the national level from those for the municipalities located next to the enterprises. The costs for municipal infrastructure are not related to the productions. In Chelopech, there is a

formal process that includes an initial request for funding from the municipalities in the Srednogorie region, namely Chelopech, Chavdar, Zlatitsa and Pirdop, for activities to be carried out in the coming year. The requests are considered by the top management, and after discussions with each municipality and its respective mayor, an annual contract is signed, which describes the activities to be carried out during the year. The company in Chelopech has an employee who is responsible for the management and monitoring of this process (DPM Sustainability report 2018).

#### Dundee Foundation

In 2012, DPM established the Dundee Foundation in Bulgaria. The main focus of the foundation is the sponsorship of the Bulgarian national sport, art and culture. They believe that if the Bulgarian government has entrusted them with the extraction of national resources, then they should provide part of the public benefits to all Bulgarians, not just those who live in the vicinity of the mines.

Their ideas go beyond the general notion of sponsorship. Of course, their flagship message has an element of marketing and advertising that are part of their sponsorship criteria, but the purpose of the donations is also to ensure a stable investment.

Since 2011, DPM has been the main sponsors of the national rhythmic gymnastics team, and in 2012 they supported the team's performance at the Olympic Games in London. In this regard, since 2010 they have been supporting Iliana Sports Club, one of the most famous rhythmic gymnastics clubs in Bulgaria. The founder of this club, Iliana Raeva, is a former world champion in rhythmic gymnastics. Rhythmic gymnastics has a rich history in Bulgaria and in many ways can be considered a national sport, at least as far as Bulgarian girls are concerned. Since 1960, Bulgaria has dominated globally in this sport, and its athletes have won many Olympic and world medals.

In 2012, they also supported a new international event called the Dundee Cup, and in 2013 they became the main sponsor of the newly renamed Dundee World Cup event, which will attract the world's best teams to Sofia every year. These activities gave an exceptional impetus to this sport in Bulgaria. Since 2010, enrollment in official rhythmic gymnastics

clubs in the country has increased by 22%.

They also actively seek to support families who cannot afford to send their children to official clubs, where the fee is usually 25 euros per month per child. For example, the current president of the Iliana Sports Club, Ina Ananieva, and its founder, Iliana Raeva, established a rhythmic gymnastics club for children and older students in Chelopech in early 2013. The training is held twice a week free of charge by coaches of Iliana Sports Club (DPM Sustainability report 2018).

Now we can say that rhythmic gymnastics in Bulgaria is recovering, restoring its previous reputation as a significant participant in this sport. The company intends to continue to support the development of this important cultural phenomenon.

In addition to gymnastics, the Dundee Foundation also supports the following initiatives:

- Football teams
- Support for the efforts of the Bulgarian Chess Federation for the inclusion of chess in the official school curriculum.
- Youth achievements in Bulgaria
- International Festival of Arts "Perperikon" in Kardzhali
- "Wonders of Bulgaria" - a national initiative for the inclusion of new Bulgarian treasures in the lists of the cultural heritage of UNESCO
- Charity organisation of the International Women's Club in Bulgaria
- "Ready for success" - a Bulgarian charity project that provides scholarships for training orphans and
- "Bulgarian Christmas" - a charity event to raise funds for the treatment of children (Bulgarian national radio 11.01.2020)

This review of the company statements and available literature and publications shows that DPM's corporate governance policy and style cover many of the definitions of Corporate Social Responsibility. Furthermore, although the term "social responsibility" is



used too often today, they believe that it nevertheless reflects basic principles, which should guide them in determining their primary goals and programs. According to them, success comes at a time when local communities, the environment and business are mutually supportive and complementary in a sustainable way. The company's goal is to become a desirable partner. One which communities invite to invest.

Answer to the third research question **How in order to fulfil the companies Corporate Social Responsibility obligations, new innovative business practices are becoming an integral part of business process development?**

The struggle for competitive advantages and business profits combined with growing threats to the ecological balance and quality of life of substantial social groups are leading companies and different stakeholders to look for some kind of balance between making profits, but also fulfilling social obligations of the business.

Such balance would require a redefinition of policies and rules in order for corporations to remain viable in the age of globalisation. Therefore, the importance of adopting new business practices in order to generate not only profits for the business, but also advantages society are needed as well.

Such new common business practices and internationally recognised standards come from numerous international Social Responsibility Organisations such as the:

- "Accountability Institute."

The mission of the London-based organisation is to promote responsibility for sustainable development which provides management of accountability and security tools through its AA1000 standard for professional development and certification ([www.accountability.org](http://www.accountability.org))

- African Institute of Corporate Citizenship (AICG)

The African Institute of Corporate Citizenship is a non-governmental organisation dedicated to promoting sustainable development and competition in Africa by changing the way companies do business in the region. Its mission, in addition to promoting

sustainable development and competitiveness across Africa, is corporate citizenship as an integral part of the way local companies do business. This organisation emphasises the importance of transparency and non-financial accountability([mail.aiccafrica.org](mailto:mail.aiccafrica.org)).

- Business Social Compliance Initiative (BSCI)

BSCI is a non-profit institution based in Brussels. Its mission is to provide a common platform for European and non-European retailers, industrial companies, companies to monitor and improve social standards in all importing countries, and for all consumer goods. BSCI is not a certification system and does not issue certificates. However, it conducts a process based on SA 8000 management standards ([www.amfori.org](http://www.amfori.org)).

- Business for Social Responsibility (BSR)

A US-based organisation that helps member companies succeed in ways to protect ethical values, people, communities and the environment. BSR provides information, tools, training and consulting services to make CSR an integral part of companies' business operations and strategies. As a non-profit organisation, BSR promotes cross-sectoral cooperation and contributes to global progress efforts in the area of corporate social responsibility ([www.bsr.org](http://www.bsr.org)).

Besides private and non-profit organisations, there are also international institutions dealing with CSR and common standards and certifications. For example:

- UN Global Compact

In the UN Global Compact, which was first launched in 1999 at the initiative of the United Nations, UN Secretary-General at the time Kofi Annan, called on the private sector to embrace a basic package of ten principles relating to human rights, labor rights, environment and the fight against corruption.

- OECD Guidelines for Multinational Enterprises

In June 2000, the OECD published the revised Guidelines for Multinational Enterprises.

They establish non-binding principles and standards for responsible business in order to promote economic, environmental and social progress. The guidelines ensure that the MNEs act is in line with the economic policies of the host country. This is probably the most important government-supported CSR code, covering such diverse areas as information disclosure, employment and industrial relations, human rights, the environment, anti-bribery measures, taxation and consumer interests ([www.oecd.com](http://www.oecd.com))

- International Labor Organization (ILO)

The ILO is a specialised agency of the United Nations, comprising governments, employers 'and workers' organisations. Since its inception, the ILO has adopted, on a tripartite basis, International Labor Standards (ILS), which cover a wide range of rights at work, including the rights of indigenous peoples. These tools are at the heart of most social initiatives. The recently revised declaration is a global commitment to guide government, employers and workers in the areas of employment, training, working conditions and industrial relations. Most recently, the ILO adopted the Declaration on Fundamental Principles and Rights at Work, which focuses on fundamental labour rights dealing with child labour, forced labour, non-discrimination, freedom of association and collective bargaining. This key document has become the basis for many social initiatives, including the labour principles of the UN Global Compact ([www.ilo.org](http://www.ilo.org))

Also worth mentioning are :

- Global Reporting Initiative (GRI) and Sustainable Reporting Guidelines

The Global Accountability Initiative develops and disseminates guidelines for applicable sustainable reporting worldwide. These guidelines are intended for voluntary use. Organisations report on the economic, environmental and social aspects of their activities, products and services ([www.globalreporting.org](http://www.globalreporting.org))

- The different ISO and other standards

ISO 14001 is a standard that proposes a structure (environmental management system or EMS)

ISO 9001 is a standard that provides a structure (quality management system)

OHSAS 18001 is a standard that provides a system to help organisations manage their professional health and safety programs to ensure employee safety, well-being, and continuous improvement.

British Institute BS8800 and has been developed by 13 national standardisation organisations and international certification bodies and is compatible with ISO 9001 and ISO 14001 and many others.

In order for a company to be viable in the future, it must play by common rules and standards

## 8. Conclusion

Efforts to promote corporate social responsibility is a relatively new phenomenon in the history of modern capitalism. It is being developed as a means to identify the adverse effects of the market mechanism in a globalised world and to restore the value of social justice and equality while promoting sustainable growth. Corporate social responsibility is no longer an option. It becomes part of the normal business obligations to all stakeholders, no matter where they stand in society, CSR has definitely taken root as an alternative, not only for social and economical but also for environmental progress in support of various CSR initiatives promoted by international actors, governmental and non-governmental organisations. Today we are witnessing a growing change in the mentality of the people and the prevalence of CSR, as a guiding principle that will occupy a central place in the economy and become a leading issue in the coming decades.

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