



Corporate Social Responsibility: Communication about social and environmental disclosure by large and small copper mining companies



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ABSTRACT

Corporate Social Responsibility (CSR) is now well known concept which is widely used in practice by mining companies, both large and small. The main role of CSR for mining companies is to ensure a responsible business venture to reduce potential risks arising from safety issues and a potential negative environmental footprint and to attract better employees and gain acceptance among local society. However the scope and function of CSR activities depend not only on the profile and size of companies, but also on the area where they conduct their mining operations (value to society), so sometimes it could be unclear what function CSR plays in developing economies. Therefore the aim of the paper is to discuss how multinational corporations have developed their CSR policies, and to what extent they have adopted these policies in developing countries. Moreover the goal of this article is to compare their activities with small and medium enterprises (SMEs) operating in different regions of the world. It was shown that large copper producers have a long term policy on CSR and conduct a wide scope of CSR activities which depend on local needs, whereas SMEs are focused on solving ad-hoc issues rather than developing long-term strategic relations. SMEs have already recognised the need to strengthen their social policies on engaging with communities in order to protect their human rights and avoid negative outcomes, mostly in more remote locations. At the same time the companies analysed recognise the fact that as demand for resources increases, the potential for a negative impact on communities and social conflicts also rises.

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1. Introduction

Term Corporate Social Responsibility (CSR) has been in existence since the 1950s, expanding in the 1970s and gaining increasing popularity in the 1990s (Melo and Garrido-Morgado, 2012) and the new millennium (Kepore and Imbun, 2011). CSR projects followed by CSR reporting (Alonso-Almeida et al., 2014) form a public relations axis in communicating and creating mutual, beneficial understanding which is also able to manage potential conflicts (Golob and Bartlett, 2007). The CSR which is discussed in this paper is defined as taking proactive and anticipatory measures in order to ensure responsible business ventures (Dobers and Halme, 2009). The idea behind CSR is that all operations during all phases of business ventures prevent negative environmental impact (Dobers, 2009), respect human rights, and mitigate any unwanted social impact (Adey et al., 2011). The term

“responsible mining” is often used to express the necessity to adhere to the precautionary principle – where decisions are taken on the basis of examining hazards and the potential risks associated with them (Jenkins and Yakovleva, 2006). Assessing CSR practices in the copper mining industry should start with an indication of the main sources of CSR initiatives that result in various CSR practices (Jenkins, 2004). The first motive arises from government policy. Governments may introduce detailed formal policies that strictly define the requirements that should be met by the companies. When such a situation occurs, CSR actions are uniform among all market participants. The second common source of initiatives is often referred to as “the infrastructure for CSR” which in general promotes voluntary CSR actions and initiatives. In such an environment parties like industrial associations or activists may create CSR frameworks and invite other companies to comply with the regulations. It is worth mentioning that in the case of developing countries it is international institutions that often propose frameworks for CSR (García-Rodríguez et al., 2013). The third source of CSR initiatives is tightly linked with the companies

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themselves – firms may decide which practices are the best, having in mind their own interests (Raufflet et al., 2014). CSR projects are in most cases the result of the long-term strategic planning of companies which are focused on transforming threats into opportunities. When analysing the literature, one may ask why in recent years CSR has gained such popularity bearing in mind that its role was questioned just few years back. Some researchers indicate that the turning towards environmental and community development strategies is driven mainly by the link between CSR, shareholder value, and financial performance. Companies believe that apart from straightforward social profits, embracing CSR could derive some real financial benefits. Among managers there is a popular quote concerning CSR – “you do well by doing good”. This thesis is often supported by five arguments (Hilson, 2012):

1. consumers favour products and services from responsible and honest companies;
2. investors favour responsible companies – on the other hand irresponsible companies often face much higher borrowing costs;
3. responsible companies attract better employees;
4. engaging with stakeholders has a positive effect on innovation;
5. pursuing CSR projects reduces potential risks arising from safety issues, and a potentially negative environmental footprint.

Those arguments are often marginalised and it is often pointed out that CSR requires market – based incentives for companies.

Mining companies which seek long-term success should have in mind that their prosperity is aligned with the values of society, and in particular with the communities in which they wish to operate. The optimal solution is when mining companies seek “strategic social investments” that focus on creating added value to the business unit and in parallel contributing to local sustainability (Esteves, 2008).

A question that arises is what CSR looks like when compared to mining operations in the developed and developing countries. For some it could be unclear what function CSR plays in developing economies. The aim of this paper is to discuss how multinational corporations have developed their CSR policies and to what extent they have adopted those policies in developing countries. A second goal of this article is to compare small and medium enterprises in terms of their CSR activities.

A group of mining companies, from the top ten copper producers and a group that produces below five thousand tons of Cu annually, was selected for the purpose of analysing CSR strategies. Enterprises were selected on the basis of their copper output and in the case of small producers the jurisdiction factor was also taken into account. The information about companies CSR activity was collected by utilising solid analytical work – evaluation of CSR reports, corporate websites and screening articles about CSR activity. On top of that the authors used their extensive network of contacts in order to consult the industry.

2. CSR strategies among top copper producers

The following sections are an attempt to summarise the CSR strategies that are adopted and projects that are carried out by copper producers. The first impression is that generally all projects implemented by top copper producers worldwide are similar and boil down to similar activities. Another general impression is that companies try to implement their best practices in CSR throughout their worldwide operations.

The companies described in this section were chosen on the basis of two major factors. First was the criterion of production – the companies described are among the top ten companies with

the highest attributable copper production in the year 2014 (SNL Report, 2015). The second factor was geographical spread – the idea was to select companies which lead operations throughout the world and may provide a solid and representative CSR outlook.

2.1. KGHM Polska Miedz

The assets of KGHM Polska Miedz are located in Poland, Canada, the United States and Chile. KGHM's CSR strategy is based on the standards of the ISO 26000 Guidance and the Polish equivalent of PN-ISO 26000 and in accordance with the Guidelines of the International Council for Mining and Metals. The company is part of the RESPECT Index on the Warsaw Stock Exchange, which is a group of companies managed in a sustainable and responsible manner. KGHM has been included in this index ever since its launch.

KGHM's main target in the framework of CSR activities is a “Zero harm” policy which requires a continuous identification of risk and of methods for its reduction in the working environment. The measures which have been taken in this particular area include proper preparation of a technical background in terms of safety as well as the use of early warning systems of the possibility of breakdown and response systems to such breakdowns. Water and air pollution in workplaces are also subjected to monitoring processes. Additionally KGHM conducts education and training programmes that take advantage of the workers experience in safety matters. Moreover much effort has been put into widening workers awareness about safety issues and triggering safe behaviour. Furthermore the employees are covered by preventive and medical care (KGHM, Annual Report, 2014).

KGHM aims to be a good partner for cooperation with the environment and society. As part of its social activities the company has carried out cooperation between local governments and residents in order to analyse the needs of local communities and key areas where financial and advisory support is crucial. Moreover KGHM supports local businesses and cooperates with NGOs in the context of identifying and solving local problems in Poland as well as carrying out an active dialogue with Canada First Nations and Chile local communities. The company is also active in supporting sport, both in Poland and Canada and promoting a wide range of cultural events. KGHM also works with universities to create an opportunity for students to find jobs in the structures of the Group. KGHM social activities in Poland are mainly conducted through the KGHM Foundation which supports projects in the field of health and safety, sport and recreation, culture and traditions, science and education. Interested individuals or organisations are invited to apply to the Foundation in order to obtain funding. The Foundation has allocated PLN 100 million for statutory activities so far.

KGHM environmental policy is to protect areas affected by their mining and mineral production, reduce the negative impact on the environment and prevent the wasting of natural resources. As a part of the policy KGHM focuses primarily on the maintenance of environmental protection facilities, the development of techniques for waste management, tracking technical innovations intended to reduce the impact of industry on the environment, cooperation with the community and local authorities and developing a partnership with the Ministry of Environment in the implementation of environmental policy. The major projects are improvements in energy efficiency, investments in renewable solar energy in Poland and Chile, effective and ecological waste management and finally the reduction of air pollution through innovation. In addition, there is a programme to protect water resources by limiting consumption, recycling and reducing emissions to water (KGHM, Annual Report, 2014). Some of these activities are on line not only with CSR idea, but KGHM is looking for new models, i.e. green copper which is in line

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