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# Is corporate social responsibility possible in the mining sector? Evidence from Catalan companies

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ABSTRACT

This paper examines the role and diffusion of corporate social responsibility (CSR) management, especially in relation with the adoption of other management systems, in small and medium sized companies in the surface mining industry in Catalonia (Spain). Specifically, it identifies the most salient CSR practices, procedures and metrics and the profiles of companies more prone to adopt them. To fulfill this aim, a survey has been conducted. Results show that mining companies are familiar with CSR practices, but there is not much formalization of procedures and measurement systems of CSR yet. Results show that the majority of socially responsible practices are related to environmental issues and therefore there is a relation between CSR and the application of environmental management systems. The analysis reveals that the management of CSR activities improves with the diffusion of knowledge on CSR practices. A second survey collected the opinion of professional associations in the sector. Respondents indicate that an improvement in CSR management will lead to a better global competitive position.



## Introduction

In the global economy, the mining sector plays a fundamental role as it provides vital raw materials and energy for a large number of industries, including ceramics, building, electronics, metal, paper, plastics and others. Spain has traditionally been an outstanding European producer of nonferrous and precious metals. According to data from 2009, it was the sixth European producer of sand and gravel for industrial applications and the third producer of gypsum in Europe. Nevertheless, the global economic and financial crisis initiated in 2007 affected the major markets for construction and ceramics and consequently, the consumption of all types of minerals declined. In Spain, the value of mineral output (not including mineral processing) decreased by 50%, from €4465 million of marketable production in 2007 to €3549 million in 2009 (USGS, 1994–2009; General Directorate of Mining, 2009).

Catalonia, one of the most industrial communities in Spain, is also one of the regions with a high production of minerals (considering all types of minerals as a whole). Between 2000 and 2007 the production output increased and in 2007 it started to decline as a consequence of the international economic crisis (in spite of the economic situation, Catalonia became the first producer of minerals in Spain in 2009). According to the latest statistics published by the General Directorate of Mining of the Spanish Government, the Catalan sector accounted for almost 16.7% of the national mineral production with around €600 million in 2009, and it employed about 2692 direct workers and 1349 indirect workers (General Directorate of Mining, 2000–2009). Amongst the different minerals, quarry products, including ornamental stone, were the second sector in marketable production in Catalonia with about 41% (€247 million) of the total regional production (General Directorate of Mining, 2009). More detailed data can be found (in Spanish) on the General Directorate of Mining website (http://www.mityc.es/energia/mineria).

Mining activities have important economic, environmental, labor and social repercussions on local and global scales (Escanciano et al., 2010). In this sense, the first decade of the 21st century in particular has seen a renewed debate about mining and its sustainability (Mudd, 2010). This is owing to public concern about its environmental and social impacts (severe land disturbance, off-site impacts, community displacement, and health and safety problems; Hilson and Murck, 2000; Sánchez, 1998).

Following the Brundtland definition of sustainable development (WCED, 1987), the main challenge for the sector is to demonstrate that, despite the fact that mining is built on the exploitation of

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non-renewable resources, it contributes to the welfare and well-being of the current generation without compromising the quality of life of future generations (Azapagic, 2004), and that companies mind their social dimensions (Solomon et al., 2008).

The mining industry has to deal with these challenges and has to assume responsibilities in local and national development. There is evidence in the literature that since the early 1990s, the mining industry has shown increasing interest in social and environmental issues and it has been seeking ways to enhance its sustainability levels (Hilson and Murck, 2000). Sustainable development and ethical management have been included in the agendas of the mining industry (Cowell et al., 1999), and various national and international initiatives have developed frameworks for sustainability. For instance, the European Union (CEC, 2000) has promoted priorities based on four broad pillars (environmental protection, economic issues, social performance and employment, and research and technological development). Another instance is that the International Council on Mining and Metals (ICMM) has formulated 10 basic principles of good practice, including ethical management, sustainable development and contribution to the social and economic development of local communities (ICMM, 2005).

The adoption of socially responsible practices – i.e. environmental protection; dialog with stakeholders; community-investment programs; commitment to the rights of employees in the company's policies, etc. (Kapelus, 2002; Wheeler et al., 2002) – helps companies to maintain an image of compromise towards the environment and their stakeholders, and to spearhead the pursuit of a social license to operate, which is aimed to secure the support of local communities (Walker and Howard, 2002). The social dimension, together with the environmental and economic dimensions, shapes the triple bottom line (Kleine and Hauff, 2009), which is at the basis of corporate social responsibility (Elkington, 1997).

Corporate social responsibility (hereinafter CSR) may be defined as the group of actions that are undertaken by an organization in order to accept the responsibilities resulting from the impact of its activities on society and the environment (ISO, 2010). This new business approach has particular significance in mining activities. As noted by Warhurst (2001), the main environmental disasters and human rights incidents that have increased public concern about CSR over the last 40 years have mainly taken place in the mining and petroleum industries. For the mining industry, "CSR is about balancing the diverse demands of communities and the imperative to protect the environment with the ever present need to make a profit" (Jenkins, 2004).

The debate surrounding CSR in the mining industry has gained considerable attention within the academic community. Different authors have analyzed the CSR strategies adopted in the mining sector globally. For instance, Jenkins (2004) has outlined reasons why CSR is important for mining. Warhurst (2001) has concentrated on sustainability issues, and Hamann (2004) has studied the relationship between CSR and stakeholders—groups with legitimate interests in the company that include employees, trade unions, suppliers, customers, shareholders, creditors, insurers, local communities, governments and NGOs (Azapagic, 2004). Other authors have studied the impact of CSR on local communities (Banks, 2006; Jenkins and Yakovleva, 2006; Kapelus, 2002) and have analyzed the practices involved in different countries (Deegan and Rankin, 1996; Hamann and Kapelus, 2004; Harris, 2007; Yakovleva, 2005). Studies on the adherence of different top mining companies to CSR guidelines (Jenkins and Yakovleva, 2006) have also been published in the literature.

In Western developed countries companies have started to carefully consider the social, ethical and environmental effects of their actions. Many Spanish companies, especially the largest ones, have introduced CSR policies, and the adoption of business ethical practices is increasing (Fernández Fernández and Melé, 2005). CSR is also encouraged by the European Union (European Commission, 2011). The aim of this paper is to find out whether the mining sector is also committed to CSR by focusing in the aggregate (such as gravel) mining industry and the ornamental stone (such as marble) quarrying in Catalonia.

Although the voluntary CSR initiatives are varied, many of them relate to the areas of quality, environmental management and occupational safety (Munashinge and Shearer, 1995), areas which may in turn be managed according to international standards such as ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (health and safety at work), to cite the most common ones. In Europe, and especially in Spain, such standards have been adopted by many companies, from the smallest ones to the largest ones (Casadesus et al., 2008). The success of management systems makes us think of them as a means for the introduction of CSR practices, even more when CSR is also supported by international standards (ISO 26000:2010 Guidance for Social Responsibility).

In the next section, the paper explores the current discussions on CSR in the mining industry in order to gain insight into the positive and negative contributions of mining to sustainable development. The research methodology is then introduced. Next, the results obtained are presented. Discussions and conclusions follow.

## CSR in the mining industry

For a long time, mining just consisted in exploiting a region until its natural resources were exhausted and then moving on to exploit another region. There was an uncompromising approach to mining in these areas, meaning that local communities viewed mining activities as an economic engine but also as a threat to the natural surroundings, with environmental effects on the air, water and soil. Currently, there is a greater awareness in sustainable development issues, and even the concern with the commitment to the environment has evolved into a commitment to the community where each company carries out its activities (Blinker, 2009). In this respect, growing regulatory pressure on issues concerning waste, pollution and occupational health and safety in particularly dangerous activities has played an important role. This, together with social and legal demands, has meant that more awareness has been raised with regard to these matters.

The debate surrounding mining activities and sustainable development is now centered on sustainability at the global and national scales (Hilson and Murck, 2000). While some authors depict the positive impacts that mining activities can have (Mikesell, 1994; Walker and Howard, 2002; Wheeler et al., 2002), there is still some kind of troublesomeness with the link "sustainable development and mining". A major argument against the mining sector contributing to sustainable development is that mineral resources are finite and non-renewable (Cowell et al., 1999) and therefore the opportunities for future generations to access these resources are reduced (WCED, 1987). Moreover, the risk of professional diseases and accidents in mining activities – i.e. the recent collapse in Copiapó (Chile, August 2010) and the Sago Mine disaster (United States, January 2006) – has contributed to a questionable reputation for social responsibility (Lambert, 2001; Sandbroke and Mehta, 2002).

Morphological changes in the exploited areas, noise, dust, and surface and groundwater pollution are the main environmental hazards produced by mining operations. Despite the initiatives undertaken at international level to address these problems and the efforts made by some companies, there is still a negative