

SUSTAINABILITY REPORTING IN ENVIRONMENTALLY EXPOSED SECTOR

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Abstract

Analysis of companies in environmentally exposed industries is a matter of importance, especially from the CSR point of view. Corporations publish their annual sustainability reports to inform their shareholders, employees, investors, business partners, customers, suppliers, governments and NGOs that they manage their business responsibly. Moreover, sustainability reports reflect companies' approach towards all three traditional CSR dimensions.

Here we analyse the case of global mining corporation, Glencore. The question is whether the reporting is performed in line with three traditional CSR dimensions. In particular, we examine the CSR keywords in the sustainability reports of the years 2015 and 2017. We also compare and discuss the received results and come to conclusion that the situation has been improving over the years regarding such reporting. Sustainability reports are made in accordance with the rules to strengthen the legitimacy of the company. Furthermore, the company has already taken important steps towards a sustainable future.

Key words: CSR, environment, mining, safety

JEL Code: M14, M41, L20, Q01

Introduction

Non-financial reporting has been compulsory since 2016 after the EU regulations on non-financial reporting came into force. This means that all big companies, with more than 500 employees, have to publish their annual reports containing sections which reflect their social, economic and environmental responsibilities. Directive 2014/95/EU lays down the rules on disclosure of non-financial and diversity information by large companies. Reporting in environmentally exposed sectors concerns mainly the following issues: energy, water, emissions to water and to air, ecosystems, workplace health and safety, disaster risk and site contamination.

Previous studies on the sustainability of mining have concentrated on the human side – the safety of mining, its impact on communities and on the sustainability of mining resources with regards to depleting natural resources and the impact of mining sites on nature (e.g. Mudd, 2008; Perez and Sanchez, 2009; Hodge, 2014, MacGregor Pelikánová, 2019).

In this contribution, we have chosen the company, Glencore, which is one of the biggest producers of mined materials with its activities spanning over five continents. The mining giant is involved in more than 90 commodities and employs around 160,000 people, either directly, or through its subsidiaries and subcontractors. It has more than 90 offices and operates in about 50 countries. Here we want to discover whether, and how, Glencore's reporting is organized and, by using content analysis, what it leads to.

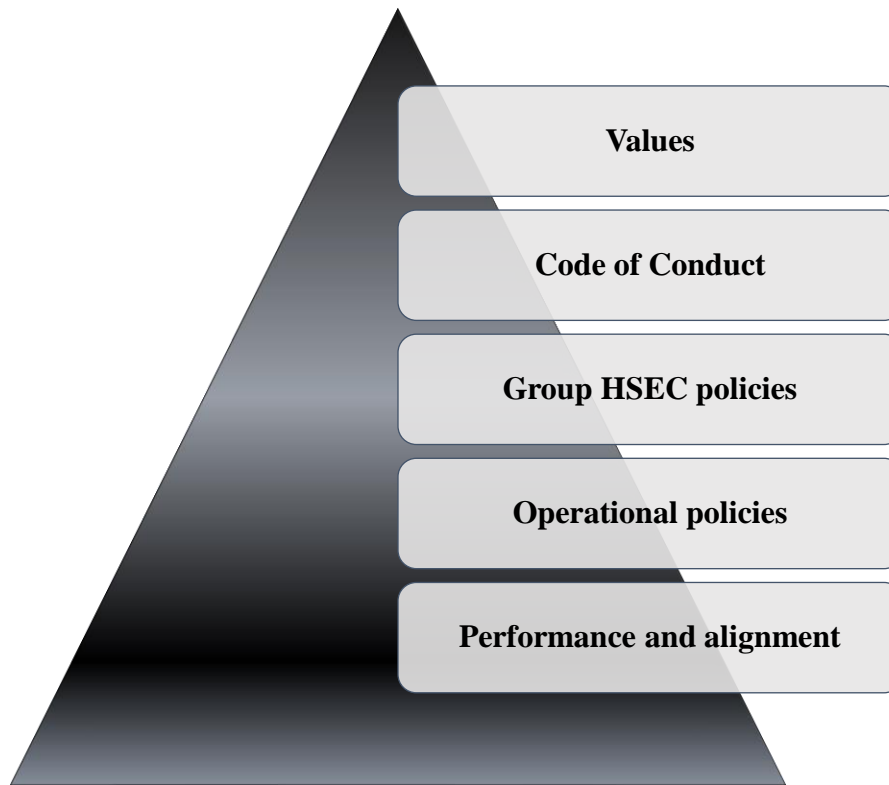
1 Background information of Glencore

The Anglo-Swiss mining corporation, Glencore, was founded, in 1970, by Marc Rich and it is headquartered in Baar, Switzerland. It belongs to the commodity Metals and Mining industry (Glencore "History", 2018). Nowadays, Glencore operates in more than 50 countries and has 150 mining and metallurgical sites, oil production sites and agricultural facilities. The products that Glencore produces are divided into four groups (1) Metal and Minerals: copper, cobalt, nickel, zinc, lead, iron ore, gold and silver, (2) Energy Products: thermal coal, crude oil, natural gas and oil products, (3) Agricultural Products: sourcing, handling, processing and marketing of agriculture commodities and (4) Marketing: physical source commodities and products from a global supplier base (Fening, 2018).

2 Sustainability approach

The company's approach towards sustainability is included in Glencore Corporate Practice (GCP). The GCP contains the company's values, its Code of Conduct and its Group HSEC Health, safety, environmental and/or communities' policies (Glencore sustainability report, 2015, p. 13).

Fig. 1: Pyramid of Glencore Corporate Practice (GCP)



Source: Glencore sustainability report 2015, p. 13

Glencore's values consist of the company's aim, priorities and beliefs. They contain: "Safety, Entrepreneurialism, Simplicity, Responsibility and Openness" (Glencore sustainability report 2015, p. 13).

Glencore's Code of Conduct points out the standards which the company requires from its employees. Different departments decide the best way to operate according to the Code of Conduct.

Glencore's Group Health, safety, environmental and/or communities' policies describe the company's "management processes and procedures, which are integrated into corporate decision-making processes" (Glencore sustainability report 2015, p. 13). The Group's policies, mentioned above, contain "health and safety, emergency response and crisis management, catastrophic and fatal hazards management, environmental management, communities and stakeholder engagement, human rights, product stewardship, HSEC assurance, [a] HSEC management framework and risk management framework". "GCP is supported at the operational level by individual policies pertaining to local risks" (Glencore sustainability report 2015, p. 13). Glencore examines its performance by using a Group GCP

database.

3 Methodology

We use content analysis as the main method of our research into sustainability reporting in the identified sustainability reports of Glencore, 2015 and 2017. We have recorded the presence, or absence, of information in a particular sustainability report on a basic rating scale (0 and 1). Keywords were organized according to the three traditional CSR dimensions, economic, social and environmental. Subsequently, we counted the number of identified keywords in each category. The frequency of identified keywords was measured manually. To make the measurement more objective we performed a double check of the coding by two independent scholars. Subsequently, we have also attempted to bring in the context in which the keywords were expressed and, thus, illustrative coding examples were included. Here we have taken the three most frequent words in each category.

The initial choice of keywords was based on the 39 CSR key words identified by the Business Civic Leadership Center of the US Chamber of Commerce, Link, see Cohen (2010). From academic papers, the major inspiration for the proposed qualitative methodology and keywords used was based on the methodology summarized by Yakovleva and Vazquez-Brust, 2012, and Mutti, Yakovleva, Vazquez-Brust and Di Marco, 2012.

4 Empirical analysis and findings

In this part, we perform content analysis using CSR keywords. The tables with relevant keywords are created in accordance with the main three CSR approaches: Economic, Social and Environmental. We analyse the Glencore company's two sustainability reports for 2015 and 2017. We chose these two years in order to compare the results that we will obtain regarding the company's approach towards all three aspects of responsibility. Glencore is one of the top world producers. The company's business is divided into three major parts. The first is devoted to metals and minerals; the second is devoted to energy products; and the third is devoted to agricultural products. The first part, which is called metals and minerals, include the production of copper, zinc, nickel, alumina, iron ore, and so on. The company also performs industrial activities including mining, smelting, and so on. The second part, which is called energy products, involves industrial activities concerning coal and oil. The last part, which is called agricultural products, consists of grain, oilseeds products, sugar, pulses and cotton (Glencore sustainability report 2015: 7).

Tab. 1: CSR Keywords based on Glencore Sustainability Report 2015

Number	Economic Responsibility	Count of words	Social Responsibility	Count of words	Environmental Responsibility	Count of words
1	Asset	284	Local	245	Water	167
2	Produce	53	Program	152	Mining	106
3	Investment	47	Health	142	Energy	94
4	Production	35	Community	134	Emissions	77
5	Share	32	Employees	82	Climate	57
6	Increase	32	Compliance	43	Material	50
7	Price	23	Employment	42	Carbon	44
8	Balance Sheet	18	Fatalities	36	Waste	42
9	Growth	7	Workers	22	Metal	38
10	Financial	4	Conditions	18	Green	16
Total		535		916		691

Source: Glencore sustainability report, 2015 and authors' own elaboration

Two main strategies were introduced towards global sustainability, in 2015, by the world community. The first was the creation of the UN Sustainable Development Goals. Those goals were based on “equitable, socially inclusive and environmentally sustainable economic development” (Glencore sustainability report, 2015: 3). The second one was the Paris summit that was devoted to the global problem of climate change. All global leaders discussed climate change problems and supported a low-carbon responsible approach towards sustainable development. The international community, in 2015, wanted to ask all large businesses to operate responsibly towards environmental, social and economic issues (Glencore sustainability report, 2015: 3). According to the Glencore sustainability report of 2015, the company took some steps towards sustainable development goals.

According to our findings, social responsibility was the most important area for Glencore, in 2015. It has 916 codings in total. The first three keywords were local, program and health. The company created an online database to take care of its employees' training, to ensure that employees are able to develop their talents and skills and receive support. The company organized external leadership training courses which involve masters-level study and financial support (Glencore sustainability report, 2015: 42). Glencore also sent the most talented employees on short-term international assignments to encourage them to gain experience. Moreover, the company created recruitment programs to provide particular training to help graduate students develop their future careers, to practise their skills and apply their knowledge. Glencore pointed out that its employees and contractors “participated in over 8 million hours of training during 2015” (Glencore sustainability report, 2015: 42).

The second most important area, in 2015, was environmental responsibility with 691 codings in total. The company's attention was mostly devoted to water, mining, and energy. Glencore is aware that water is a valuable source. It is also important for the company's industrial activities. Because of the global climate change problem, there could be serious problems, in future, regarding water access and its quality. The company understands that the importance of water sources is an international issue and works towards ensuring that all global users can access high-quality water sources. It also protects "the maritime and inland waters" (Glencore sustainability report, 2015: 55). The goal of Glencore, as a global player, is to manage water sources responsibly. For example, in 2015, the company arranged its water indicators, metrics and definitions according to the "Water Accounting Framework (WAF) of the Minerals Council of Australia" (Glencore sustainability report, 2015: 55). What is more, Glencore created and accepted the strategy that will help it "to become a leader in the protection and improvement of people's and communities' wellbeing" (Glencore sustainability report, 2015: 15).

The third significant area, in 2015, was economic responsibility with 535 codings in total. Especially, such keywords as asset, produce, and investment were mentioned the most often. 2015 was a demanding year for all international players. According to the Glencore sustainability report, the financial markets during 2015 were volatile. But the company was supporting its employees, cooperating with local governments, labour unions, and so on, to reduce the negative economic effects and impacts (Glencore sustainability report, 2015: 3). During 2015, Glencore invested in community development.

The analysis of CSR keywords in Glencore's 2017 Sustainability report is in Table 2.

Tab. 2: CSR Keywords based on Glencore Sustainability Report 2017

Number	Economic Responsibility	Count of words	Social Responsibility	Count of words	Environmental Responsibility	Count of words
1	Asset	119	Local	213	Water	248
2	Produce	51	Community	167	Emissions	127
3	Production	43	Program	122	Material	116
4	Share	35	Employees	98	Mining	111
5	Increase	35	Health	80	Energy	96
6	Financial	27	Compliance	55	Climate	88
7	Price	14	Fatalities	33	Carbon	75
8	Growth	12	Employment	14	Metal	46
9	Profit	7	Workers	13	Waste	41
10	Balance sheet	3	Conditions	12	Green	13
Total		346		807		961

Source: Glencore sustainability report, 2017 and authors' own elaboration

In 2017, Glencore organised its annual HSEC summit. HSEC means “health, safety, environment and communities” (Glencore sustainability report, 2017: 113). More than 70 of the company’s business leaders attended this summit to discuss measures taken towards safety improvement during Glencore operations and the management of different risks. The company’s leaders decided to work further towards achieving all of their safety plans that were accepted, to analyse more deeply the effects of organisational elements and prospective technological developments. Moreover, in 2017, Glencore was awarded a “Level Four-Strategic Assessment” by the Transition Pathways Initiative (TPI) (Glencore sustainability report, 2017: 35). TPI looks at the large companies that operate in such segments as gas, mining, electricity, and oil. It examines their transition towards carbon reduction. Furthermore, the company took part in the “CDP Climate Change programme, achieving a CDP score of B” (Glencore sustainability report, 2017: 35). It can be concluded that Glencore worked towards its strategies of reducing carbon and energy impact on the environment.

According to our findings, in 2017, the most important aspect was environmental responsibility with 961 codings in total. Special attention was devoted to water, emissions, and material. With regard to water sources, Glencore kept implementing its “strategic water management framework” (Glencore sustainability report, 2017: 5).

The most second important area, in 2017, was social responsibility with 807 codings. The company’s attention was devoted, mostly, to local community programs. Glencore understands the significance of employees’ and local communities’ rights. The company respects the human rights of all people, it also takes care of its stakeholders by giving them the opportunity to talk about any challenges. Glencore operates according to the “Universal Declaration of Human Rights, the UN’s Guiding Principles, the UN Global Compact and ILO

core conventions” (Glencore sustainability report, 2017: 46).

Economic responsibility with 346 codings was the third most significant area, in 2017. The company’s attention was devoted to asset[s], produce, and production. During 2017, Glencore profitability increased together with its production. The company paid taxes and other payments to the amount of “\$4.11 billion (excluding Glencore Agriculture)” (Glencore sustainability report, 2017: 57). Moreover, Glencore became an “active participant on the Technical Advisory Committee (TAC) of Better Coal – a multi-stakeholder group with participants from unions, coal customers, companies and civil society” (Glencore sustainability report, 2017: 61).

5 Discussion

Today, all large companies make investments in social projects to support local workers and communities. Corporate Social Responsibility (CSR) is used to help analyse which issues of corporate responsibility companies approach more and which less. CSR is also a useful tool for examining business ethics and comparing corporations’ social responsibility between developed and developing states (Yakovleva, Vazquez-Brust, 2011: 191). However, the same authors point out, that “The companies’ approach towards corporate social responsibility and its concepts of developed countries totally differs from less developed states and aren’t such [so] appropriate for these less developed states, regarding such important areas as economic, business, political, social and environmental” (Yakovleva, Vazquez-Brust, 2011: 192).

In this research, we came to the conclusion that a mining company can approach the three traditional CSR issues responsibly by contributing to local communities, taking care of its employees and contractors, matching different government expectations, and respecting economic, legal, cultural, and environmental areas.

We also concluded that there are no controversial issues in these sustainability reports. However, when we look at other publicly available sources of information on the same company, we may still find quite a different picture, e.g. the report of Industrial Union, 2018.

Conclusion

To conclude our study on these two sustainability reports, we have to admit that they are very well composed, and they provide a totally legitimate picture of the company.

The limitations of this study concern the qualitative methodology used when working with narratives. We need to stress that we are aware of the shortcomings this qualitative approach may bring; however, we tried to prevent a subjective view with a double independent check.

The second shortcoming is more general, and it concerns the resources used in general. With such controversial industries as mining and huge multinational companies, like Glencore, taking in consideration operations in countries with a weak legal structure one needs to inspect information from sources other than just the sustainability reports and take into consideration the views of other important stakeholders which are not part of these official company reports.

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