

RELEVANT CSR ACTIVITIES FOR STRENGTHENING SOCIAL PROFILE OF METALLURGICAL COMPANY

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Abstract

The CSR concept covers the following five areas: the economic area, the social area, the environmental area, the ethical area and the philanthropic area. The benefits of CSR activities from the point of view of the company and its relevant primary and secondary stakeholders represent an intensively discussed topic. Proving relations between individual CSR activities and the success of the corporate operations is crucial for acceptance of CSR. Activities in the social area include application of responsible employee policy and consideration of the impacts of their products on health, working conditions, production and product safety, as well as protection of human rights and cultural heritage. The environmental area activities mainly include the environmental activities and instigation of initiatives promoting responsible approach to the environment, ensuring environment-friendly and sustainable production and consumption. The area of ethical business practice includes especially application of ethical behavior in compliance with legal and moral standards, fighting corruption. Philanthropic activities include usually corporate voluntary giving in the form of money giving or employee volunteerism.

The paper deals with identification and evaluation of relevant CSR activities realized by metallurgical companies. The main objective is to determine relevant CSR activities to strengthen the social profile (or corporate social performance) of the company and whether metallurgical companies consider CSR activities as viable and useful tool for strengthening social profile and corporate social performance of the company.

Keywords: Corporate social responsibility, reporting, social profile

1. INTRODUCTION

Goals, Scope and Background. The growing interest of the public and the scientific community in the problems of CSR has brought a lot of important questions concerning economic, environmental and social consequences of CSR activities. This interest and the current tough position of metallurgical enterprises in European territory indicate that it is urgent to address the question of whether investments in socially responsible activities represent only the spending of funds without any visible positive economic impact for these companies, or whether the adoption of the concept and implementation of recommended CSR activities could become an effective mechanism for generating demonstrable benefits and thus lead to improved economic, environmental and social performance of socially responsible companies. This paper addresses whether there can be identified relevant CSR activities applicable for metallurgical companies. Research objective was to confirm whether these activities are realized and reported by TOP 10 Czech metallurgical companies.

Methods. Theories, conference proceedings, reporting initiatives and international standards in comparison with annual reports, environmental reports, CSR reports and companies' web sites are used to address the validity of theoretical problems and assumptions. Based on theoretical basis concerning selection of relevant CSR activities recommended by international methodological and reporting standards, there was realized practical research on implemented and reported CSR activities by most important Czech metallurgical companies. For this purposes, the detailed analyses (observation) of annual reports, environmental and CSR reports was made. Available reports (or reports obtained by request) were reviewed by two independent evaluators.

Results. Theoretically identified relevant CSR activities acceptable for metallurgical companies within EU space are formulated according to GRI's The Mining and Metals Sector Disclosures. The neglected CSR areas are identified and the extent of realized CSR activities of metallurgical companies is closely described based on comparison of results of analyzed annual, environmental and CSR reports as well as websites relative to theoretical findings. Number of realized and reported activities has showed only limited effort of managers in CSR issues. This finding suggests that CSR concept is not fully perceived as a suitable way to improve company's performance, to create competitive advantage and to support decision-making processes.

Conclusions. Simple comparison of recommended and theoretically specified CSR activities with activities that have been actually realized and reported by top 10 Czech metallurgical companies has showed that CSR concept is not generally well established among these companies. CSR concept needs to be continuously improved and explained in order to perform the function of viable and useful tool for strengthening economic, environmental and social profile of the company and to meet requirements of metallurgical industry in the competitive EU environment. Future quantitative research concerning economic evaluation of CSR activities should bring more detailed overview of missing information to express financial and non-financial contribution of realized CSR activities for the industrial companies.

2. PROBLEM FORMULATION

The definition of Corporate Social Responsibility (CSR) combines several common aspects as the stakeholders [1], especially consumer perspective [2], the emphasis on the voluntariness of socially responsible behavior [3, 4], and last but not least the definition of social responsibility areas (CSR areas). Carroll as a first distinguishes four CSR areas - the economic responsibility, the legal responsibility, the ethical responsibility and the discretionary (or philanthropic) responsibility [5], broader definition include environmental responsibility [6] and volunteering [3]. Today's the most accepted CSR areas by scientific community cover economic, social, and environmental areas, or so-called 3P (Profit, People, and Planet) [7, 8], although common approach to CSR in corporate practice is usually perceived as corporate philanthropy, volunteering, corporate culture and ethic [9].

2.1. CSR activities

There can be identified a difference between the European and other worldwide presented approaches to CSR, also the view of the possible CSR activities implemented in these areas is diverse [10, 11, 12, 13]. However in authors' opinion, the CSR should cover the following five areas: the economic area, the social area, the environmental area, the ethical area and the philanthropic area. Activities in the economic area include, above all, application of corporate governance principles and developing positive relationships with relevant stakeholders, and also providing quality and safe products and services. Activities in the social area include application of responsible employee policy and consideration of the impacts of the company products on health, working conditions, production and product safety, as well as protection of human rights and cultural heritage. The environmental area activities mainly include the environmental activities and instigation of initiatives promoting responsible approach to the environment, ensuring environment-friendly and sustainable production and consumption. Activities in the ethical area include especially application of ethical behavior and fighting corruption. Philanthropic activities include usually corporate volunteering and giving.

For acceptance of CSR concept and improvement of corporate CSR activities, it is necessary to prove relations between individual CSR activities and the success of the corporate operations [14]. 95 studies that empirically examined the relationship between CSR (or corporate social performance) and corporate financial performance were published between 1972 and 2000 [15], however, in neither case they provide definite conclusions. Obviously, it has been difficult to clearly prove a positive impact of CSR activities not only from the point of view of the society, but also from the point of view of companies themselves. There are advocates of corporate social responsibility actions starting with Bowen, McGuire or Kotler and Caslione [16, 17, 18] but,

there is a group of critics of CSR concept, e.g. Friedman, Reich or Karnani [19, 20, 21]. As a very simple preliminary survey for confirmation of beneficial impact of CSR activities from the point of view of a company, practical research concerning realized and reported CSR activities by most important Czech metallurgical companies can be realized. A detailed analyses of annual, environmental and CSR reports and websites content could prove whether the most successful metallurgical companies in the Czech Republic consider CSR activities as helpful and beneficial from the point of view of the company. On the other hand when research results shows low level of interest in recommended CSR activities, it could be stated that managers consider CSR activities as unnecessary and non-value adding.

2.2. CSR activities in metallurgy

As a starting point for comparison of reported CSR activities, all relevant activities for metallurgical companies should be specified. To report the sustainability information and socially responsible activities, Global Reporting Initiative (GRI) provides the world's most widely used standards on sustainability reporting and disclosure since 1990s. By using the GRI's Sustainability Reporting Standards, companies disclose their positive or negative impacts on the environment, society and the economy [22]. Current fourth generation of the Sustainability Reporting Guidelines "G4" was designed to be applicable for all organizations, large and small, across the world, but GRI also designed sector-specific disclosures to make reporting more relevant and user-friendly for organizations in diverse sectors. The Mining and Metals Sector Disclosures document contains a set of disclosures that cover key aspects of sustainability performance that are meaningful and relevant to the Mining and Metals sector and which are not sufficiently covered in the G4 Guidelines [23]. According to the G4 Guidelines, company's activities should be classified in Economic, Environmental and Social category, following triple bottom line concept. Above that Social category includes four sub-categories: *Labor Practices and Decent Work, Human Rights, Society and Product Responsibility* [23].

The economic dimension of sustainability concerns the organization's impacts on the economic conditions of its stakeholders, and on economic systems at local, national, and global levels and CSR activities related with this dimension cover four aspects [22]:

- Economic performance,
- Market presence,
- Indirect Economic Impacts,
- Procurement Practices.

The environmental dimension of sustainability concerns the organization's impact on living and non-living natural systems, including land, air, water and ecosystems and CSR activities related with this dimension cover 12 aspects closely introduced in chapter 3.1. [22]

The social dimension of sustainability is related to the impacts the organization has on the social systems within which it operates. The sub-category *Labor Practices and Decent Work* covers 8 aspects, the sub-category *Human Rights* covers 10 aspects, the sub-category *Society* covers 11 aspects and the sub-category *Product Responsibility* covers 6 aspects. All aspects are mentioned in chapter 3.1. of this paper.

The Mining and Metals Sector Disclosures for metallurgical companies deal with the aspects of sustainable development that characterize the Metals sector, often because they are encountered more frequently or in greater measure than in other sectors. The main contextual issues include [23]:

- The control, use, and management of land;
- The contribution to national economic and social development;
- Community and stakeholder engagement;
- Labor relations;
- Environmental management;
- Relationships with artisanal and small-scale mining;

- An integrated approach to minerals use.

This paper addresses whether these identified relevant CSR activities (specific for metallurgical companies) are really realized and reported by TOP 10 Czech metallurgical companies. In our survey, the triple bottom line concept used in GRI reports was extended by ethic and philanthropic area.

3. PRIMARY RESEARCH - IMPLEMENTED AND REPORTED CSR ACTIVITIES IN METALLURGICAL COMPANIES

CSR activities of TOP 10 Czech metallurgical companies have been identified both according to the theoretical studies of primary resources and according to results of survey on companies reports realized in January 2016. Investigated companies have used mostly web sites and annual reports as a basic reporting instrument to communicate CSR activities. Only three companies have published alone standing CSR reports others published CSR information by annual reports and company's websites. All the companies have presented environmental and social information on their web sites, but published information have been focused mostly on common approach to the environmental or social issues only. Our research has been focused on the extent of published information related to CSR activities. Following **Table 1** shows number of the companies that have published information related to five main CSR areas.

Table 1 Forms of published CSR information and included CSR areas

Form of presentation	Economic	Environmental	Social	Ethic	Philanthropic
CSR report	3	3	3	3	3
Annual report	10	9	8	0	4
WEB sites	5	8	8	5	6

Although Ethic and Philanthropic areas are not considered by GRI Guidelines as independent areas in CSR concept, our research shows that companies have considered philanthropic area as important and comparable to triple-bottom (economic, environmental, social) areas.

3.1. Results of Research

Economic area

We have identified the following list of aspects of economic dimension within CSR, based on detailed study of annual, environmental, social information and CSR reports, presented by companies (see **Table 2**). The second column indicates the number of companies that have published any relevant economic information (aspects) related to CSR, the third column shows the number of companies that have published any relevant indicators for those aspects.

Table 2 Reported and measured aspects (activities) included in economic dimension of CSR

Economic aspects	Presented	Measured
Economic performance	4	3
Market presence	1	1
Indirect Economic Impacts	4	2
Procurement Practices	0	0

Environmental area

Table 3 shows list of identified aspects of environmental dimension within CSR presented by companies. Data presented in columns follow the same structure as **Table 2**.

Table 3 Reported aspects (activities) included in environmental dimension of CSR

Environmental aspects	Presented	Measured
Materials	5	2
Energy	8	3
Water	8	3
Biodiversity	1	1
Emissions	9	5
Effluents and Waste	9	3
Products and Services	4	0
Overall	1	1
Supplier Environmental Assessment	1	1

The list of environmental aspects in the **table 3** is not complete because only aspects presented at least one time have been included. The aspects *Compliance*, *Transport* and *Environmental Grievance Mechanisms* were not mentioned /measured by any company

Social area

Table 4 shows identified content of social dimension separated by sub-categories. Only mentioned aspects are presented and data presented in columns follows the same structure as **Table 2** and **3**.

Table 4 Reported aspects (activities) included in social dimension of CSR

Sub-category	Social aspects	Presented	Measured
Labor Practices and Decent Work	Employment	4	2
	Occupational Health and Safety	7	3
	Training and Education	8	2
Human Rights	Investment	8	2
	Non-discrimination	4	0
	Freedom of Association and Collective Bargaining	2	2
	Child Labor	1	1
	Forced or Compulsory Labor	1	1
	Human Rights Grievance Mechanisms	1	1
Society	Local Communities	4	2
	Anti-corruption	2	2
	Public Policy	2	2
	Anti-competitive Behavior	2	2
	Compliance	2	2
	Emergency Preparedness	1	1
Product responsibility	Customer Health and Safety	3	2
	Product and Service Labeling	4	1
	Marketing Communications	1	1
	Customer Privacy	2	1
	Compliance	1	1
	Materials Stewardship	1	1

Other social aspects mentioned in GRI standard have not been presented by the companies.

Mining and Metals specific aspects

The last **Table 5** presents whether companies present/evaluate the key industry specific aspects of sustainability performance mentioned in GRI: The Mining and Metals Sector Disclosures.

Table 5 Reported aspects (activities) relevant for mining and metals sector

Category / Sub-category	Aspects	Presented	Measured
Economic	Economic performance	4	3
	Market presence	1	1
Environmental	Materials	5	2
	Biodiversity	1	1
	Emissions	9	5
	Effluents and Waste	9	3
Social - Labor Practices and Decent Work	Employment	4	2
	Labor/Management Relations	0	0
	Occupational Health and Safety	7	3
Social - Human Rights	Freedom of Association and Collective Bargaining	2	2
	Indigenous Rights	0	0
Social - Society	Local Communities	4	2
	Compliance	2	2
	Emergency Preparedness	1	1
	Artisanal and Small-scale mining	0	0
	Resettlement	0	0
	Closure Planning	0	0
Social - Product Responsibility	Materials Stewardship	1	1

Data presented in **Table 5** are summarized from **Tables 2-4**, completed by missing aspects (not presented by any company).

3.2. Evaluation of the Research Results

Our research has been focused on CSR activities performed and presented by top 10 Czech metallurgical companies. Based on detailed analyses of CSR reports, annual reports and websites we have identified a limited effort of companies to realize, implement and report CSR activities. Only 3 companies have created CSR report, majority of companies prioritized to present CSR information on company's websites in static form. Annual reports have contained only limited information concerned CSR, most of the companies have not published these reports on company's websites. Companies have not realized CSR activities as a balanced effort to solve and improve economic, environmental and social issues, but usually have published philanthropic activities and ethic codex.

Economic information presented in annual reports mostly has not contained sustainability dimension; the companies have not demonstrated relationship between economic performance and their contribution to sustainability of company, region or industry. Only four companies have presented *Economic performance* and *Indirect Economic Impacts* and almost all of them have neglected *Market presence* and *Procurement Practices* to demonstrate their contribution to the region development and procurement transparency.

Environmental dimension of sustainability can be considered as sufficiently solved. The Companies have satisfactorily informed about consumption of source (*Materials, Energy, Water*) as well as production of contrived (*Products and Services*) and unwanted outputs (*Emissions, Effluents and Waste*). However other activities as *Biodiversity, Transport, Supplier Environmental Assessment* or *Environmental Grievance Mechanisms* have been mentioned marginally or completely unsolved.

Social issues are generally focused on employees. Companies have realized and reported *Occupational Health and Safety* operations, *Training and Education* activities, *Investment* to protection of Human rights, *Non-discrimination* at workplace. However issues concerning Product responsibility or Society have been often neglected. Social activities have been supplemented and replaced by ethical statements or ethical codes that usually have static and general content.

Industry specific aspects of sustainability mentioned in GRI: The Mining and Metals Sector Disclosures have not been exceptionally solved. Additional aspects introduced by Sector Disclosures especially: *Emergency Preparedness, Resettlement, Closure Planning* and *Materials Stewardship* have not registered by companies as relevant or important. The companies have presented mostly compulsory information: emissions, effluents and waste, material consumption and Occupational Health and Safety and other industry specific issues considered as insignificant and unnecessary.

4. CONCLUSIONS

Based on theoretical findings and assumptions, it can be expected, that companies perform and classify CSR activities in economic, environmental and social areas by balanced way and by many issues (categories). However primary research found only limited effort of companies related to CSR activities and key aspects of sustainability performance recommended by Global Reporting Initiative are not fully accepted and performed by top 10 Czech metallurgical companies.

Reported and published CSR activities are not based on balanced triple bottom line concept. Environmental information dominate over economic and social issues and companies generally present their philanthropic activities not as a part of CSR, but rather as an important PR tool for strengthening company's image. Ethical issues are usually represented by published code of ethic on web sites.

There can be identified many underrated CSR issues (as seen from **Tables 2-5**, where many CSR issues are solved by one or two companies only). Therefore it can be concluded that metallurgical companies in the Czech Republic still consider CSR as a less important part of competitiveness and strengthening social profile and realized CSR activities are mostly related with mandatorily reported information (e.g. released emissions, realized outputs or consumed energy and water). On the other hand, three companies (two of them can be considered as business leaders in the Czech Republic) published CSR reports based on GRI Guidelines. This can be viewed as a positive signal, that performing and reporting of CSR activities could be perceived as an important competitive advantage and common managerial practice in near future.

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