

CORPORATE SOCIAL RESPONSIBILITY IN PRACTICE OF METALLURGICAL ENTERPRISES

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At present, according to the Regional Chamber of Commerce, 1816 companies dealing with metallurgy have its headquarters in Czech Republic. Some of them are large employers and industrial leaders. However, this increases the number and diversity of their stakeholders. The main objective of this paper is to find out how individual metallurgy companies apply the principles of corporate social responsibility, if and how they communicate with their stakeholders, and whether they are prepared (at least the biggest) for mandatory reporting according to European Union rules.

Keywords: Corporate social responsibility, stakeholders, reporting, metallurgical enterprise

1. INTRODUCTION

The most companies nowadays practice some form of Corporate Social Responsibility (CSR). The goal of the paper is to analyse if metallurgical organizations claiming to CSR know and are able to interpret required aspects in all three pillars of CSR management system in parallel according to ČSN 01 0391 standard.

1.1. Corporate Social Responsibility

Corporate social responsibility (CSR) is voluntary organization's initiative to assess and take responsibility for the company's effects on environmental management, economical growth and social progress. The term generally applies to efforts that go beyond law requirements with respect to communication with stakeholders. The concept of social responsibility of organizations is built on three pillars, which are collectively referred to as the triple bottom line (TBL) or if the 3P strategy. They are [1]:

- Profit / economic region
- People / social area
- Planet / environmental area

The areas represent a threefold overall impact of business on the Planet, People and Profit. That shows that it is possible to achieve positive financial results, which lead to a reduced impact on the environment and society without dealing additional damage. [2]

Many organizations are using reporting as part of annual reports to present their responsible activities.

1.2. Non-financial reporting obligation

Non-financial reporting is a common standard in communication across major industries and across the world and the European context. Its attention is focused on environmental impacts, data on diversity, activities aimed to local communities, employees and other stakeholders. Non-financial information is regularly published on the internet in the form of CSR and Sustainable Development Reports or included in annual reports.

In 2014, Directive 2013/34/EU was issued, in which the European Commission aims to achieve a comparable level of information provided by businesses in all Member States in the social and environmental fields. [3] At present, non-financial reporting obligations affect companies with more than 500 employees who are public

interest entities. This obligation is enshrined in the Czech legislation through the amendment to the Accounting Act for the year 2017 No. 462/2016 Sb.

Companies will be required to provide non-financial information to the extent necessary to understand their economic development, performance and position and impact of their activities, especially with regard to the following areas [4]:

- Environment
- Social and employment environment
- Respect for human rights
- Combating corruption and bribery

That structure copies the Corporate Social Responsibility initiatives as written above. Environment includes relationship to nature and its protection (Planet), social and employment environment and respect for human rights are part of social area (People) and combating corruption and bribery concern the area of company economic management (Profit).

Non-financial reporting is provided to the public on a voluntary basis, as it is considered to be a matter of prestige and an opportunity to improve its own market position by gaining certain competitive advantages resulting from its corporate policy of openness. Coordination of national legislation on the disclosure of non-financial information by some large companies is important for the interests of companies, shareholders and other stakeholders. [5] *Data from reporting can also be used to evaluation of the company effectiveness* [6]. It can be used also for various types of analysis such as employee performance [7] or as a sustainability indicator. [8]

However, reporting non-financial information is not only part of corporate culture in Europe, it is a common part of business life in Asia, for example in India [9] or Malaysia [10].

2. BACKGROUNDS

For background analysis data from Czech Statistical Office and Czech Chamber of Commerce were taken.

There are about 1816 organizations which are producers of metal or metal products according to NACE (C24 - Manufacture of basic metals) registered in Czech Republic (on April 30, 2017). NACE statistics (C24) show a decline of 7 firms compared to last year [2]. Their structure is shown on **Figure 1**.

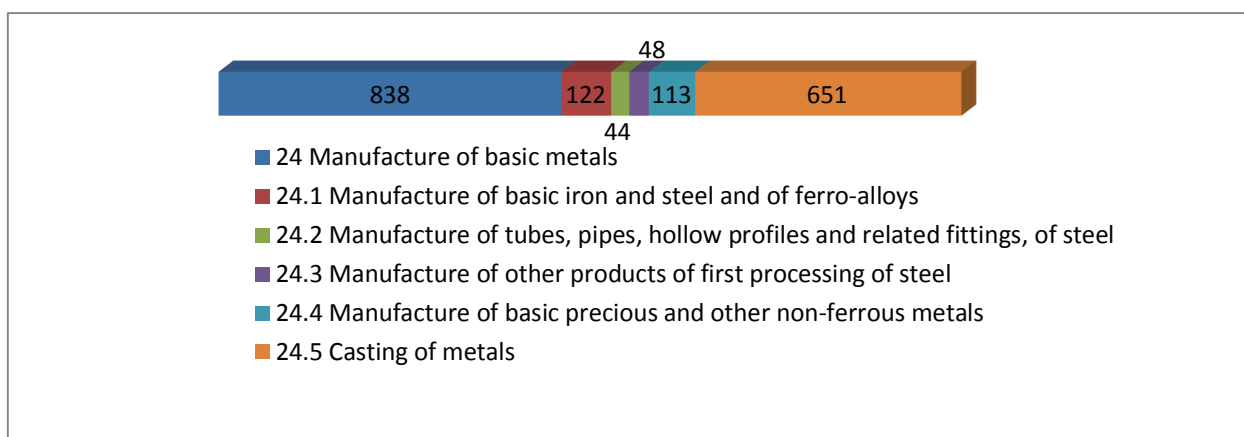


Figure 1 Number of metal and metal products producers in Czech Republic according to NACE [2]

For the purpose of analysing preparedness for non-financial reporting, companies with more than 500 employees were selected according to the rules of Directive 2013/34/EU. This criterion was chosen

to be the only one, as in the future the disclosure of non-financial reporting may have to big firms, even though they are not public interest entities.

The analysing sample consist of 11 organisations. More than a third of these companies (36 %) produces tubes, pipes, hollow profiles and related fittings, of steel, next are focused on casting of light metals, manufacture of basic iron and steel and of ferro-alloys and casting of iron (18 %) and on cold drawing of wire and aluminium production (9 %). The production structure of the respondents is illustrated in the **table 1**.

Table 1 Analysed Companies according to NACE

C24.5.3 - Casting of light metals	18 %
C24.3.4 - Cold drawing of wire	9 %
C24.1.0 - Manufacture of basic iron and steel and of ferro-alloys	18 %
C24.4.2 - Aluminium production	9 %
C24.5.1 - Casting of iron	18 %
C24.2.0 - Manufacture of tubes, pipes, hollow profiles and related fittings, of steel	27 %

Based on the analysis it was found that all 11 of them are certified according to ISO 9001, 10 of them according to ISO 14001, 5 of them according to OHSAS 18001 and 10 are committed to CSR by certain proclamations or are involved in other projects (Safe company, IPPC, Green company, EMAS, etc.). This structure is illustrated in **Figure 2**. No of analysed metallurgical companies is certificated for CSR.

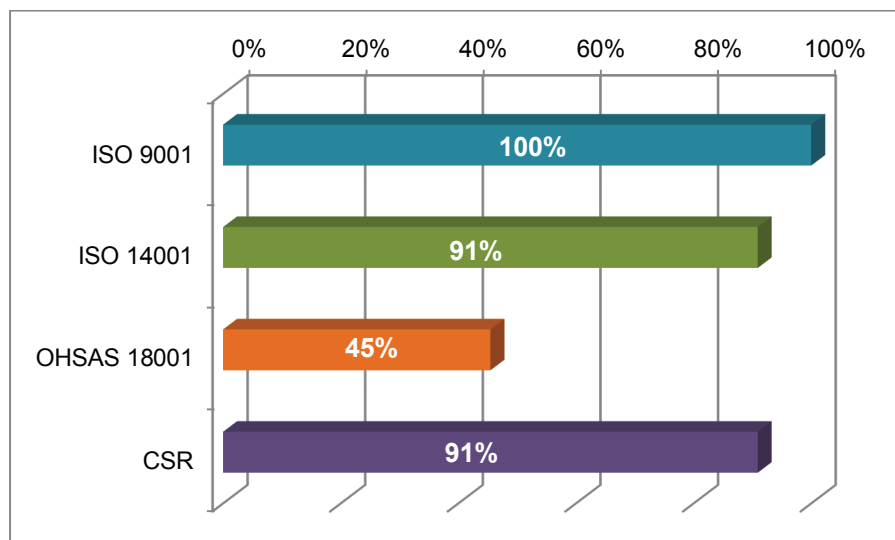


Figure 2 Number of standards types using in metallurgical companies

It is clear from this finding that certification of management systems according to one of these standards is an important element in the strategic management of large metallurgical firms and also a suitable starting point for the implementation of CSR elements in any form.

3. COMPARISON

In order to compare the strategic direction of individual companies, the methods of questioning, techniques of structured interviews with representatives of individual companies were used. The research included open questions on established management systems, readiness for non-financial reporting and possible considerations about CSR management certification.

Implemented systems in individual companies have already been listed above. In the next question, respondents expressed their willingness to introduce compulsory non-financial reporting. As illustrated in **Figure 3**, 36 % of the surveyed companies already included the non-financial reporting in the annual reports. One organization issues it as a separate CSR report. Two organizations are preparing non-financial reporting for the first time this year and two more by the end of 2018. Only two of the analysed companies do not prepare to report on any way.

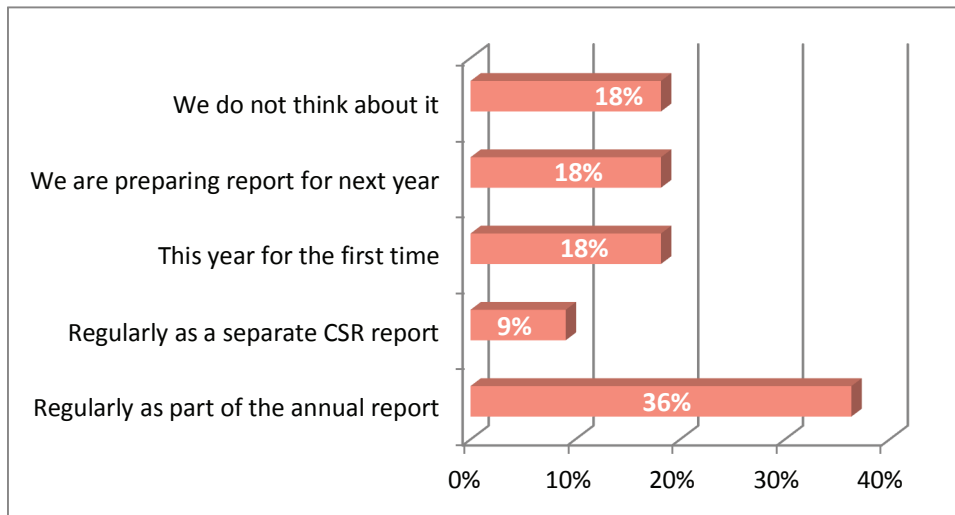


Figure 3 Preparing for non-financial report publishing of metal and metal products producers

Another strategic aim of the organization is the implementation of the corporate social responsibility management system. In this respect, however, none of the organizations surveyed showed interest in certifying the system. In this context, the question was also added to the interview about the scope of knowledge about the possibilities of CSR certification. More than half of all the organizations surveyed mentioned the SA 8000 standard and one company management said that it was dealing with the possibility of certification according to ČSN ISO 01 0391. However, this plan was temporarily abandoned due to the lack of human resources that would be prepared by the company for certification.

4. CONCLUSION

Metallurgy is considered in the public consciousness as an area of heavy industry, which is detrimental to the environment and adversely affects its surroundings. Therefore, management can use non-financial reporting as one of the tools to communicate to the public. This information makes sense of the logic of things for potential investors as well as for the company's own management and strategic development. They are increasingly interested in customers as well. This insight can be very useful not only for a handful of large companies directly affected by the new obligation, but also for smaller emerging companies who want to maintain a human approach to business.

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