

## THE ANALYSIS OF CSR REPORTING PRACTICES IN THE MINING SECTOR IN POLAND

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**Purpose:** The objective of this study is the analysis of reporting activities relating to the corporate social responsibility by mining companies in Poland.

**Design/methodology/approach:** The article is cognitive in its nature. The basic research methods include the subject literature analysis. Literature studies include the analysis of domestic and foreign literature. The empirical section used the study method known as content analysis which enabled to assess the scope of reported data and to compare it for different mining entities in Poland.

**Findings:** The conducted research provides an important conclusion for the management. The mining companies, due to their specific activity, including but not limited to their impact on the environment, should report their social activities in a clear way, compliant with international guidelines. In practice, however, it is not always like that and it requires further development in many areas. Thanks to the presented studies, the mining companies may compare their activities, improve them and look for new opportunities targeted at the Corporate Social Responsibility.

**Research limitations/implications:** The studies presented in this article may contribute to further empirical studies extended to other sectors or to international comparisons.

**Practical implications:** The practical implications of the conducted research make it possible to use them to improve the CSR reporting system in mining companies.

**Originality/value:** The study results point to the need to improve the CSR reporting system in mining companies.

**Keywords:** corporate social responsibility, mining sector, CSR reporting.

**Category of the paper:** General review, Research paper.

### 1. Introduction

One of the most important challenges of the Polish mining sector is to change the existing sector image. On the one hand, the activity of mining companies has an adverse impact on the natural environment, leading to changes in the water and waste management, causing

degradation of land, dust emissions and mining damage etc. The environmental impact of mining on the environment is indisputable and entails many effects which must be faced on a daily basis by the society, including but not limited to the immediate vicinity of mines. On the other hand, mining companies are important workplaces for the inhabitants of the region where they operate, stimulating business activity by demand for outsourced services, materials, energy, permanent equipment and building structures. What is more, they bring extra income to local government budgets where they operate. This is the mining fee and income tax share. They frequently pursue extended social policy not only towards their employees, but also to the whole community. Those are, for example, social and natural environment initiatives. Such activities, called Corporate Social Responsibility (CSR), become more and more popular (Gulko, Hyde, 2022). The companies undertaking CSR activities usually present their results in reports developed based on different standards. The studies discussed in this article are aimed at analyzing the scope of information covered by such reports developed by mining companies in Poland. This goal will enable to compare not only the CSR activities in that sector but the quality and scale of CSR reporting in mining companies as well. Based on the presented results, mining companies will be able to improve their operations and look for new opportunities targeted at the Corporate Social Responsibility. The solutions adopted in the mining sector will also be implementable in other sectors.

## **2. The notion of the Corporate Social Responsibility**

The concept of the corporate social responsibility was started in late 19<sup>th</sup> century as a manifestation of the wealthy ones' charity and care for poorer members of the society (Carnegie, 2012). The contemporary perception of the corporate social responsibility was born in the United States, but later appeared in the United Kingdom as well (Bowen, 1953). It was termed the businessman's morality and ethical behavior towards stakeholders, meaning the whole society in a broader sense (Klimczak, 1999). Business responsibility towards the community where it operates was considered a compensation for any side effects of the open market development. Dynamically-growing companies were focused mostly on financial profits which could result in escalating such adverse phenomena as social inequality, unemployment, natural environment degradation etc. in the open market. Those factors led to a discussion concerning the corporate social responsibility and gave birth to the CSR notion. In Europe, the discussion on the corporate social responsibility was started only in 1995 when the group of European businessmen, including Jacques Dolores, the President of the Commission of the European Communities those days, presented their Manifesto of Enterprises (Rybak, 2004). The European Commission addressed the notion of the corporate social responsibility in the so-called Green Paper in 2001 (Green Paper, 2001). According to its

provisions, the CSR notion means companies' responsibility for their social impact. Although the companies are focused on earning profits, they should get involved in social and environmental issues as well, by included the CSR notion in their business strategies (Chen, Guo, Hu, 2023). The Green Paper presents the basic assumptions of the CSR concept, the required development directions, but without indicating specific solutions. Its follow-up is a 2002 document, termed the White Paper (White Paper: Communication on CSR, 2002). It presents the areas of further European Union activities relating to CSR. These are:

- the area of knowledge, education, sharing experience and best practice,
- CSR concept promotion,
- creation of a stakeholders' forum composed of representatives of governments, NGOs, entrepreneurs and trade unions (The European Multi-Stakeholder Forum on CSR, CSR EMS Forum),
- integration of the CSR concept with other EU activities.

As a result of further expansion of the CSR concept, in 2010 the International Organization for Standardization published ISO 26000 (Guidance on social responsibility) standard. This standard is to support different institutions when introducing the CSR notion in their operations. According to its provisions, the organization which implements CSR assumes responsibility for its operations and their impact on the environment and the community. Behavior of the organization, regardless of its size, should be ethical and transparent with respect to human rights, local community, environment, corporate governance, consumer aspects or employees' rights (Mbanyele, Muchenje, 2022).

According to the presented documents, CSR concept becomes more and more important in the contemporary world. At present, this area is supported by extensive scientific theory and numerous initiatives have been started. There are examples of best practice in that respect and stakeholders await broad information on the socially responsible operations of companies. This is why the role of CSR reporting grows.

### **3. CSR reporting guidelines**

CSR activities' reporting may be carried out using different national, EU or international standards or based on internal company rules. One of the most popular standards is the Global Reporting Initiative (GRI) developed in 1997 in Boston by the Coalition for the Environmentally Responsible Economies and Tellus Institute. This is a global standard providing guidelines for reporting. Its original version was based on the so-called triple bottom line (TBL) relating to (Woźniak, 2019):

- the economic aspects,
- the environmental aspects,
- the social aspects.

The guidelines are constantly updated and complemented. The most recent set of GRI Standards has a modular structure and is composed of 36 individual standards divided into general, universal standards applying to every organization preparing a sustainable development report (3 standards) as well as theme-specific standards, including economic ones (6 standards), environmental ones (8 standards) and social ones (19 standards). Every organization decides on its own which GRI standards to indicate in its report.

Because of the specific activities of selected sectors, the GRI guidelines included sector-specific ones (GRI G4) referring to ten selected sectors, i.e.:

- Airports Operators.
- Electric Utilities.
- Food – Processing.
- Construction and Real Estate.
- Media.
- Mining and Metals.
- Event Organizers.
- Non-Government Organizations.
- Financial Services.
- Oil and Gas.

The guidelines for the above-mentioned sectors should be used to complement and not replace reporting according to GRI.

Due to the scope of studies presented in this article, solely the guidelines for the Mining and Metals sector, marked MM1-MM10/11, were used. They complement the basic version of the GRI report and address aspects which the mining sector should pay particular attention to. To complement the report for the specific nature of the Mining and Metals sector, the following indexes were added (GRI Standards, 2017):

- employment practice and decent work – this index covers the number of strikes and work breaks lasting more than one week,
- respecting human rights – the number of operations carried out in the areas inhabited by indigenous peoples and adjacent areas,
- impact on the local community – number and description of disputes over the ownership of land and the degree of using complaint mechanisms during dispute resolution,
- impact on small craftsman activity – number of operating companies connected with mining,

- displacements – areas where displacements were carried out, number of displaced households,
- planned liquidation – number of operations subject to the liquidation plans,
- responsibility for material management – programs and progress when creating material management,
- biodiversity – land area which was destroyed, damaged or reclaimed, including the number of areas requiring management plans,
- emissions, wastewater and waste – the total amount of input, rock, mining operating waste, sludge, slurry and related risk.

The development of CSR reports is highly important for the mining sector because of the scale of impact exerted by it on the environment, employment and economic development of the region. However, it is worth adding that the quality of reporting is also crucial. The company should report activities with real impact on the environment, based on actual numbers. It should consider the fact that the earliest readers of CSR reports include lawyers and shareholders. In practice, the reporting entity sometimes resigns from reporting certain indexes, e.g. when the achieved results are inferior to the previous ones. It may happen that companies do not disclose disadvantageous information as they do not want to show their worst side. However, many reports published worldwide include numerous examples of failed achievements as well. According to the experts, such an approach, i.e. confessing to failures, contributes to building a good image and trust in the company. Nonetheless, it should be ensured that the adverse results do not appear too often and that they are always accompanied by a remedy plan.

Summing up the GRI reporting rules in the mining sector, the most important ones include (Isacowitz et al., 2022; Bachowski, 2016):

- sharing best practices and standards in the operations carried out,
- ensuring transparency and fair competition,
- building a market position in the competitive environment,
- stressing the significance for the region by new workplaces, small business development, community involvement schemes, sponsoring etc.

The disadvantages of this reporting method include:

- the failure to include much sensitive information.

CSR reporting translates into building good relationships with the community and also helps to promote the company as the best practice implementer (Górecki, 2010). Unfortunately, few Polish mining companies publish their CSR operations.

#### 4. Research results

When studying the verification of the CSR reporting method, the scale of CSR reporting among Polish mining companies was analyzed. The reports were verified for the guidelines included in GRI and GRI Mining and Metals as at 2021. Hard-coal mining was considered which is represented by the following entities in Poland:

- Polska Grupa Górnicza SA – PGG SA (0.0000026%, i.e. 1 share held by the Treasury, 20.42% of shares held by PGNiG Termika S.A., 18.30% of shares held by WĘGŁOKOKS SA, 15.32% of shares held by PGE Górnictwo i Energetyka Konwencjonalna SA, 15.32% of shares held by Energa Kogeneracja Sp. z o.o. (on 15.02.2021 acquired by ECARB Sp. z o.o.), 15.32% of shares held by Towarzystwo Finansowe SILESIA Sp. z o.o., 7.66% of shares held by Polski Fundusz Rozwoju SA and 7.66% of shares held by ENEA SA).
- Jastrzębska Spółka Węglowa S.A. – JSW SA (55.17% of shares held by the Treasury).
- TAURON Wydobycie SA (100% of shares held by TAURON Polska Energia SA, a listed company).
- Lubelski Węgiel Bogdanka SA – LWB SA (65.99% of shares held by ENEA SA, a listed company).
- Węglokoks Kraj Sp. z. o.o. (100% of shares held by Węglokoks SA).
- Przedsiębiorstwo Górnicze Silesia sp. z o.o. (100% of shares held by a private owner).
- Zakład Górniczy SILTECH sp. z o.o. (100% of shares held by a private owner).
- Eko-Plus Sp. z o.o. (100% of shares held by a private owner).

The websites of the above-mentioned companies were used to verify if they publish CSR reports. The results are presented in Table 1.

**Table 1.**

*Verification of the published CSR reports and their contents as per GRI*

<b>Company</b>	<b>CSR report</b>
PGG SA	none (the report is made by the parent company PGE SA)
JSW SA	yes (includes GRI standards)
TAURON Wydobycie SA	none (the report is made by the parent company TAURON Polska Energia SA)
LWB SA	yes (includes GRI standards)
Węglokoks Kraj Sp. z. o.o.	none
Przedsiębiorstwo Górnicze Silesia sp. z o.o.	yes (no GRI standards)
Zakład Górniczy Siltech Sp. z o.o.	none
Eko-Plus Sp. z o.o.	none

Source: own work.

According to Table 1, only two mining companies publish CSR reports compliant with GRI standards. They are JSW SA and LWB SA. For the other companies, including PGG SA and TAURON Wydobycie SA, the reports are made on the level of the capital group which the

analyzed companies belong to. However, the reports are not included in further analysis as the mining activity is not the core operations for the capital groups PGE SA and TAURON Polska Energia SA. They are connected with the power engineering sector to a higher degree. Other mining companies operating on the Polish market were excluded from further analysis as they do not prepare CSR reports or prepare reports not compliant with the GRI standards which prevents comparisons of the basic indexes. Given the above limitations, two study entities, i.e. JSW SA and LWB SA, are considered for further comparative analysis. The core operations of both companies are coal mining. The analysis referred to CSR reports published by those companies. The studied period is 2021 which results from the date of the most recent report publication on the analyzed companies' websites (as at the analysis date, the reports for 2022 were not available). The analysis referred to the most important areas of corporate social responsibility reporting. The comparison referred to activities targeted at employees (development opportunities, compliance with OH&S rules, benefits for the employed ones). Then, the analysis covered an extensive part of reports relating to activities aimed at maintaining good relationships with the community and stakeholders (foundations and sponsoring was included). The last analyzed area referred to the natural environment, including remedies and measures compensating the mining activity impact on the environment. In every area, common properties/measures undertaken within the social responsibility were listed and compared based on the reports by the two analyzed companies. The comparison is included in Table 2 where "+" (plus) confirms that the property/measure was included in the report, while "-" (minus) indicates the absence of the information in the report.

**Table 2.**

*Comparison of the CSR report of JSW SA and LWB SA*

Property/measure included in the CSR report	LWB SA	JSW SA
<b>AREA: EMPLOYMENT</b>		
Human rights and counteracting discrimination	+	+
Significance of OH&S training	+	-
Training, qualification development opportunities	+	+
Modern developmental programs	+	+
Benefits	+	-
<b>AREA: COMMUNITY AND STAKEHOLDERS</b>		
Development of a virtual tour and learning history	+	+
Dialog with stakeholders	+	+
Care for health	+	+
Mining activity impact and rectification of undesirable effects	+	+
Learning and education, cooperating with schools and universities, internships, scholarships	+	+
Post-mining land development	+	+
Company development – new workplaces	-	+
Foundations	+	+
Local investments in community issues and charity	+	+
Sports support	+	+
Support for environmentally-friendly activities	+	+
Subsidiaries' activity for the community	-	+
Stakeholders' identification and involvement description	+	+

Cont. table 2.

Aspects discussed by stakeholders and the company's response	+	+
Cooperation and opinion exchange between customers	+	+
Dialog with trade unions	+	+
<b>AREA: NATURAL ENVIRONMENT</b>		
Post-mining land reclaiming	+	+
Continuous environmental impact monitoring	+	+
Failures and violations of environment protection regulations	+	+
Circular economy investments	+	+
Reduced consumption of energy and other resources in Company processes	+	+
Economical coal exploitation	+	+
Effective use of methane and other by-products of the mining process	-	+
Recipients' education relating to the awareness and environment protection and sustainable development	+	+
Biodiversity	+	+
Emissions, wastewater and waste	+	+
Programs and progress when creating material management	+	+

Source: Own study based on: The integrated report for 2021 of GK LW Bogdanka called "Stable Development in a Difficult Environment – Right Before the Armed Conflict in the Ukraine" (Stabilny rozwój w niełatwym otoczeniu – w przeddzień konfliktu zbrojnego na Ukrainie), <https://ri.lw.com.pl/pobierz/445/raport-zintegrowany-2021-pdf> and the integrated report for 2021 of JSW SA, <https://www.jsw.pl/raportroczny-2021#Start>.

In the employment area, both companies describe their activities related to employee relations broadly, following GRI guidelines. LWB SA indicated its measures relating to employee rights protection and workshops to counteract discrimination. LWB SA enables all its employees to access a broad range of different training or courses, stressing possible post-graduate course attendance. The company ensures innovative development programs. To cater for its employees, LWB SA keeps extending the benefits contributing to employees' health and wellbeing. Those benefits include sports opportunities (Multisport membership), contributions to holiday leaves, trips or entrance tickets to cultural events. It organizes team-building meetings and picnics, offers special assistance grants, housing loans or subsidies for pre-paid medical care package. In the employment area of JSW SA report, it is stressed that the company's priority is to respect human rights and to prevent mobbing and discrimination. Many training sessions were organized to that effect. The company follows a Code of Ethics. Moreover, the company tries to ensure the competence development opportunity to its employees by means of training, language courses or post-graduate courses. In its report, JSW SA does not reveal any employee benefits. The company ensures that it follows OH&S regulations and cares for its employees' life and health continuously but it does not mention any type and number of related training.

In the area relating to the impact on the community, including but not limited to stakeholders, both companies undertake similar measures. In LWB SA's report, there is no information on new workplaces created as a result of the company's developmental activities. In its report, LWB SA does not refer to the subsidiaries' activity for the community.



The natural environment area refers to reporting data on the mining operations' impact on the natural environment, but also to reporting undertaken environmental protection measures. LWB SA presents itself as an environmentally-efficient mine. The company policy and environmental management are focused on three important aspects, including:

- respect for natural resources,
- minimized adverse impact of the mining activity on the environment,
- effective waste management,
- responsible sale management, taking care of raw material composition and being a role-model for customers.

It is similar for JSW SA. The report of that company also indicates significant care for the natural environment. Both those reports prove care about local biodiversity and post-mining area reclaiming. In both cases, the company operations' environmental impact and attempted rectification of any mining land modifications which were not avoided were observed. It was stressed that the care for the environment entails ongoing monitoring and inspection of the raw material quality and amount of emissions to the air. Attention should be paid to the continuous search for innovative solutions relating to complete raw material use. LWB and JSW stress circular economy adoption for water management. What is more, JSW believes in the crucial role of salt production from mine water and of attempts at using methane or hydrogen. LWB SA does not share this initiative. Moreover, the reports reveal attempts at minimized energy consumption and appropriate waste management. As a result of the measures, much waste does not go to slag heaps but is used e.g. to reclaim degraded areas. Different environmental projects and campaigns are initiated.

Comparing the two reports, it should be stressed that they are accurate and high quality, meeting all GRI guidelines. They are comparable in terms of most indexes. The LWB SA report is more detailed than the JSW SA one.

## 5. Summary

The Corporate Social Responsibility (CSR) is a voluntary focus of the entity's operations considering the overall community and environmental benefits and emphasizing the significance of stakeholders' relations. CSR can be introduced in the company's policy by a broad range of tools adapted to the selected activity directions. The companies present those activities in annual reports. One of the most popular regulation in this respect is the international reporting standards of the Global Reporting Initiative. They are further enriched with guidelines for specific sectors, including but not limited to the mining sector. Reporting translates into building good relations with the environment and taking the leading position in the sector, and also helps to assess and promote the company as the best practice implementer.

The studies presented in this work were based on the comparative analysis of CSR reports of two selected mining companies. Those were the only two entities in the selected group to publish CSR reports compliant with GRI standards. For both companies, the concept of the Corporate Social Responsibility is rooted in the mission and vision which proves conscious building of lasting company value as well as social and sustainable value. According to the reports, the entities are highly active in the discussed areas. The main problems and indexes reflecting important economic and social impact of the companies, together with their environmental impact, were described in the reports and presented in the broader sustainable development context. Both companies keep attempting at improving employee relations, initiate innovative development-oriented activities, care about human rights and prevent discrimination, corruption and other undesired conduct. The LWB SA report stresses the broad range of OH&S training to improve work safety and describes numerous benefits and facilities for employees. JSW SA report does not contain such information. In the area relating to the community and stakeholders, both companies emphasize their contribution to the local development. The scope of their measures is comparable. They support education, organize many projects, competitions and internships, cooperate with learners and fund scholarships. It is similar for the environment. Both companies attempt at reducing the adverse environmental impact of mining operations. Particular attention is deserved by the activities relating to the effective waste management, post-mining land reclaiming and care for biodiversity.

Summing up, it should be stressed that the activities presented in the reports by the two analyzed mining companies are crucial for employees, community and natural environment. The activity focus of both companies is highly similar and the CSR reporting practice is an opportunity for them to show the public that mining operations can follow the Corporate Social Responsibility rules.

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