

Sustainability Performance: Mining Industry Australia

Is the GRI
enough?

Research question & Firms Selected

- ▶ Does Reporting using the GRI, G3 framework adequately reflect the Sustainability Performance of firms within the Minerals and Mining Sector in Australia Or is there more to it than that?
- ▶ *The selected mineral firms, for the year 2011, analysed in this investigation include:*
- ▶ *Orica,*
- ▶ *BHP Billiton,*
- ▶ *OZ Minerals and Rio Tinto, all members of the Mineral Council of Australia.*

Purpose of Paper

- ▶ *The paper provides evidence that the GRI, G3 Performance Indicator framework is only one measure of sustainability performance.*
- ▶ *Complexity of consistency, relevance, lack of sustainability context and comparison are compounded by compliance of firms beyond the GRI G3 to include the following additional disclosures:*
 - ▶ *Minerals and Mining Sector Supplements (MMSS) of the GRI,*
 - ▶ *together with firm's alignment with United Nations Global Compact (UNGC)*
 - ▶ *and compliance with the International Council on Mining and Metals (ICMM).*

Core Objectives of the GRI

- ▶ One of the core objectives of the GRI was “to elevate sustainability reporting practices to a level equivalent to that of financial reporting in rigor, comparability, auditability and general acceptance” (Willis 2003, 234).
- ▶ The GRI was also designed to cater for all companies from a wide range of industries.
- ▶ There is also available within the GRI a Sector supplement for firms within specific industries that includes: mining, airlines and financial services amongst others to enhance capturing sustainability disclosures.
- ▶ The GRI helps a firm by providing a framework to identify economic, social and environmental indicators the three pillars of sustainability (Appendix A).

Literature on Shortcomings of GRI

- ▶ Evidence suggests that the GRI is considered to be anthropocentric and eco-centric in nature and may need to extend its boundaries beyond the humanistic level to include the natural environment (Fonseca 2008, Isaksson and Steimle 2009)).
- ▶ According to Sherman (2009) the following shortcomings using the GRI G3 were noted. In the first instance failure were noted when comparing Adidas and Nike environmental and social performances. Using GRI G3 reporting practices were deficient so firms were required to provide sector supplements (Sherman 2009).
- ▶ There was also a sense of retro-fitting information from Corporate social responsibility / Sustainability reports to the GRI reports. (Sherman, 2009).

Shortcomings of GRI

- ▶ The shortcomings of the GRI are many and varied. In another research account of the GRI suggestion was that it was environmentally bias (Bebbington 2001, Bebbington and Gray 2000, Moneva, Archel and Correa 2006).
- ▶ Moreover, from an analysis of Fonseca (2008) the most problematic aspects of GRI was its bias to report on internal organisational performance.

Additional Inclusions to the GRI

More specifically the following additional inclusions were evidenced:

- ▶ the United Nations Global Compact (UNGC);
- ▶ COMM sector specific indicators;
- ▶ International Council on Mining and Metals (ICMM).

Where COMM was specific to BHP Billiton and no other company within the selected sample.

It is precisely these exclusions that the GRI does not integrate which suggests the lack of consistency and comparability of sustainability measures of performance. Which the current study highlights in the findings section of the paper

“GRI Reporting Principles” as described by Moneva, Archel and Correa 2006

The paper specifically draws upon following Components of the GRI Reporting Principles Model

- ▶ completeness,
- ▶ comparability,
- ▶ relevance,
- ▶ sustainability context and
- ▶ inclusiveness elements of

The “GRI Reporting Principles” as described by Moneva, Archel and Correa 2006, 129 in Figure 1 in the paper.

Data Collection

- ▶ Data was collected from Sustainability Reports of the selected companies Orica, BHP Billiton, OZ Minerals and Rio Tinto, all members of the Mineral Council of Australia.
- ▶ The GRI, G3 reporting disclosures of each of the firms was also used to identify social, environment and economic disclosures (Appendix A)
- ▶ In addition Mining and Minerals Sector Supplements (MMSS) were contained within that document (Appendix B).
- ▶ Content of 10 principals of the International Council on Mining and Metals (Appendix C) and
- ▶ 10 principles developed by the United Nations Global Compact (Appendix D) were also collected from the same source.

Global Reporting Initiative (GRI) Sample of Environmental Performance

Indicators

▶ Environmental Indicators



- ▶ EN1: Materials used by weight or volume
- ▶ EN2: Percentage of materials used that are recycled input materials
- ▶ EN3: Direct energy consumption by primary energy source
- ▶ EN4: Indirect energy consumption by primary source
- ▶ EN5: Energy saved due to conservation and efficiency improvements
- ▶ Out of 30

Global Reporting Initiative (GRI) Sample of Society Performance Indicators

▶ Society

- ▶ SO1: Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting
- ▶ SO2: Percentage and total number of business units analysed for risks related to corruption
- ▶ SO3: Percentage of employees trained in the organisation's anti-corruption policies and procedures
- ▶ SO4: Actions taken in response to incidents of corruption
- ▶ OUT OF 10

Global Reporting Initiative (GRI) Sample of Human Rights Indicators

- ▶ **Human Rights**
- ▶ HR1: Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening
- ▶ HR2: Percentage of significant suppliers that have undergone screening on human rights and actions taken
- ▶ HR4: Total number of incidents of discrimination and actions taken
- ▶ HR6: Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour: OUT OF 11

Global Reporting Initiative (GRI) Sample of Product Responsibility

- ▶ **Product Responsibility**
- ▶ PR1: Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and service categories subject to such procedures
- ▶ PR2: Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, and their outcomes
- ▶ PR3: Type of product and service information required by procedures and percentage of significant products and service categories subject to such procedures
- ▶ OUT OF 9

Global Reporting Initiative (GRI) Sample of Labor Practices and Decent work

- ▶ Labour Practices and Decent Work
- ▶
- ▶ LA1: Total workforce by employment type, employment contract, and region
- ▶ LA2: Total number and rate of employee turnover by age group, gender, and region
- ▶ LA3: Benefits provided to full-time employees that are not provided to temporary or part-time employees
- ▶ LA4: Percentage of employees covered by collective bargaining agreements
- ▶ LA5: Minimum notice period(s) regarding operational changes

Research Methods

- ▶ Case study approach is used together with Content analysis to identify the sustainability performance measures.
- ▶ In the current study Content Analysis research method will be used to scan the data collected in the form of sustainability reports, and special purpose G3 GRI reports on sustainability, GRI sector supplements MMSS, ICMM & UNGC principles of the various social, environmental and economic disclosures made by the selected firms in the sample for investigation

Findings

The current study has found wide variability of corporate sustainability disclosure between firms evidenced in Table 1.

From Table 1: Firms show a need to disclose and report in a more dynamic way using additional benchmarks together with GRI:

- ▶ UNGC,
- ▶ MMSS
- ▶ ICMM and COMM

From Table 2 there was a sense of retrofitting detail to fit GRI components from sustainability / social responsibility reports in a vague and imprecise way.

Findings: RIO TINTO

- ▶ In addition to the *GRI* performance indicator other benchmark indicators included: MMSS, UNGC and ICMM (refer to Table 1).
- ▶ IN GRI of the 9 core economic indicators Rio Tinto reports on seven-6 reported; 1 partially reported. Furthermore,
- ▶ 15 out of the 30 environmental indicators which were fully reported. As for the social issue of the 15 labour practices and decent work 1 fully reported whilst 7 partially reported; for human rights 11 core, there were 4 fully reported whilst 2 were partially reported;
- ▶ for society core of 10 there were 5 fully reported and 1 partially reported; for product responsibility core of 9 there were 4 fully reported (refer Table 2).

FINDINGS: ORICA LTD

- ▶
- ▶ In addition to the *GRI* performance indicator one additional benchmark indicator *ICMM* was loosely mentioned but not successfully integrated (refer to Table 1).
- ▶ Of the 9 core economic indicators Orica reports on four-3 reported; 1 partially reported.
- ▶ 10 out of the 30 environmental indicators which were fully reported with 6 partially reported. As for the social issue of the 15 labour practices and decent work 5 fully reported whilst 8 partially reported; for human rights 11 core, there were 3 fully reported; for society core of 10 there were 4 fully reported and 1 partially reported; for product responsibility core of 9 there were 2 fully reported (refer to Table 2).

FINDINGS OZ MINERALS

- ▶
- ▶ In addition to the *GRI* performance indicator the additional benchmark indicator included MMSS (refer Table 1).
- ▶ Of the 9 core economic indicators -8 reported; 1 partially reported. Furthermore, 21 out of the 30 environmental indicators which were fully reported. As for the social issue of the 15 labour practices and decent work 6 fully reported whilst 4 partially reported; for human rights 11 core, there were 1 fully reported whilst 2 were partially reported; for society core of 10 there were 2 fully reported and 1 partially reported; for product responsibility core of 9 there were 4 fully reported (refer to Table 2).

FINDINGS: BHP BILLITON

- ▶ BHP Billiton had three additional performance disclosure components which included: MMSS; ICCM principles; the United Nations Global Compact (UNGC) principles and the acronym COMM was used with no explanation at all of what it represented {Table 1}.
- ▶ Of the 9 core economic indicators BHP Billiton reports on six fully reported. 21 out of the 30 environmental indicators which were fully reported. As for the social issue of the 15 labour practices and decent work 7 fully reported whilst 3 partially reported; for human rights 11 core, there were 6 fully reported whilst 1 were partially reported; for society core of 10 there were 6 fully reported; for product responsibility core of 9 there were 4 fully reported (refer Table 2).

Findings for Retro-fitting

- ▶ Table 2 shows the disparity of reporting within the GRI from full; partial; no reporting of firms within the same industry which may mean that they are camouflaging the real sustainability issues within the social and environmental components. This provided evidence of retrofitting from Sustainability/social responsibility reports to the GRI in a vague and imprecise manner.
- ▶ This infers that the GRI disclosures lack completeness, relevance and sustainability context and require further explanation as to why some areas are reported fully whilst others partially or not reported. Applying the principles of Moneva et al 2006.

Conclusions and Implications of study

- ▶ In evaluating the select firms in the Australian minerals industry they tend to develop a Sustainability report or Corporate Social report then match and cross check information from those reports to fit with the requirements of the guidelines of the GRI consistent with the findings of Sherman (2009) that researched Adidas and Nike sustainability.
- ▶ So Sustainability context, accuracy and relevance is lost by crosschecking sustainability reports with the GRI guidelines as evidenced for firms within this research study providing further support for the arguments proposed by Sherman (2009).

Conclusions and Implications of study

- ▶ This then provides some evidence that supports the argument that the GRI is not enough as retrofitting in a sense marginalises reporting. Also the need of some firms to supplement the GRI reports with additional disclosure reflected by their alignment or further inclusion of the UNGC, COMM and the ICMM may suggest that they are not secure with just the GRI and feel compelled to provide additional inclusions.
- ▶ Evidence of marginally reporting in the GRI by retrofitting, and with no explanation for partial and no reporting in the GRI Tables of each firm suggests more complete information is required to facilitate meaning and completeness.

Conclusions

The GRI in the Mining Industry whilst a useful tool in reflecting Sustainability in the three major pillars of Social Environment and Economic falls short in

- ▶ Completeness
- ▶ Comparability
- ▶ Sustainability Context
- ▶ Inclusiveness

More research need to consider these specific elements of partial and no reporting closely. More specific information is required for each component of the GRI to give it meaning , completeness, and context.

Epilogue

Ideology of GRI was “to elevate sustainability reporting practices to a level equivalent to that of financial reporting in rigor, comparability, auditability and general acceptance” “ (Willis 2003, 234).

We have a way to go yet to achieve this admirable goal. The GRI is a great step forwards but needs further assistance. Evidence from this paper hopefully provides ways of improving Mining Firms approach to Sustainability reporting by highlighting some its shortcomings in the way they apply the GRI.