AN ASSESSMENT OF CSR REPORTING PRACTICE IN CHINA’S MINING AND MINERALS INDUSTRY

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ABSTRACT

Mining all over the world is risky and dangerous activity. The mining and minerals industry is not only a fundamental part of today’s world, providing essential energy and raw materials for global development but also a vital sector in China’s economic and social development. However, the industry fuels various social and environmental issues. China’s mining and minerals industry is generally fragmented with low levels of efficiency, poor safety record and the stagnant flow of information. To achieve the sustainable development of the industry, ‘Development of a Green and Sustainable Mining Industry’ has been set as one of the major objectives in China’s new development programme – The 12th Five-Year Plan (2011-2015) approved by China’s National People’s Congress on 14 March 2011. In pursuing long-term sustainable development, the industry is required to improve utilization rate of resources, reduce environmental pollution, coordinate overall development of employees, industry, economy and society, and improve information transparency and accountability. As a key component of the CSR implementation package and for building a harmonious Chinese society, sustainability reporting is rising to the top of Chinese companies’ agendas, with increasingly more companies producing sustainability or CSR reports. However, in the current Chinese context, sustainability reporting, it is still in its early stage but developing at unprecedented rate among Chinese companies. During the period 2001 – 2009, the number of sustainability reports released in China has increased from just one to more than 600. Although there is burgeoning literature that examines the sustainability reporting practice in western countries, and the mining and minerals industry in particular, the literature which focuses on the Chinese context is still in its infancy.

This study, taking into account the specific contextual peculiarities of Chinese companies, assesses the current status of sustainability reporting practice in China’s mining and minerals industry during 2007 – 2010. A sample of 176 mining and minerals companies listed on China’s domestic stock exchanges – Shanghai and Shenzhen stock exchanges is selected. Content analysis has been conducted to extract disclosure quantity, quality and contents from both corporate annual reports and sustainability reports. The corporate reports are then benchmarked against the domestic sustainability reporting framework – ‘Chinese CSR Report Preparation Guide (CASS-CSR 1.0)’, which is developed by the Chinese Academy of Social Science in 2009 as the first full-coverage CSR reporting guidebook for Chinese companies and the cornerstone of the CSR reporting system in China. The study identifies that overall there is a dramatic increase in the number of disclosing companies; disclosure quantity; and disclosure quality in China’s mining and minerals industry during the study period. The result is well coincident with the third phase1 in historical development of sustainability reporting in China – the rapid development of sustainability reporting practice during the period of ‘building a harmonious society’ (mid 2000s – 2010). Year 2008 is identified to be a peak of reporting because of the active promotion by the Chinese governments and stock exchanges. Over the study period, the increasing rate of quality of disclosures is found to be slower than the number of disclosing companies and quantity of disclosures. None of the corporate reports achieves a quality score of 50% or more, indicating the immaturity stage of sustainability reporting practice in China.

1 The historical development of sustainability reporting practice in the Chinese context can be characterized by four main time periods – negligence of CSR (1979 – late 1990s), emergence of CSR concept and sustainability reporting practice as an external push (early 2000s – mid 2000s), rapid development of sustainability reporting practice during the period of ‘building a harmonious society’ (mid 2000s – 2010), and expected stable growth of sustainability reporting and convergence with international trends during the period of 12th five year plan (2011 onwards).
The traditional annual reports are still the most commonly used reporting means by Chinese companies while stand-alone sustainability reports are found to be more informative than other information media, indicating its potential value as the key information media in the future years. Compared to the global trend, the study identifies that Chinese mining and minerals companies not only disclose some basic information, such as the human resources, and environmental matters but also disclose some unique items, reflecting the Chinese characteristics, such as the support of governmental policies – The 12th Five Year Plan (2011 – 2015); provision of sustainability fund; and responding to circular economy policies. Overall, the current status of sustainability reporting in China’s mining and minerals industry can be classified into the stage of ‘follower’ based on the Chinese Academy of Social Science’s classification criteria in 2009.

Overall, the study concludes that sustainability reporting has been put on the agenda of mining companies in China as shown by the increasing number of reporting companies via different reporting medium. However, the quantity and quality of disclosures need considerable improvement. The current sustainability reporting practice in China’s mining and minerals industry could be characterized as a high level concern with the issue but a low level engagement with improving the reporting substance. Therefore, it is doubtful that the ascertained level of disclosures could satisfy the information demands of various stakeholders. As the Chinese state government’s advocacy of CSR as the key component of constructing a ‘harmonious society’ and China’s entry into the world economic market, the current institutional environment provides an opportunity for Chinese companies’ improvement of awareness and the high level of engagement with adopting sustainability reporting practice. In the current Chinese context, sustainability disclosures are largely used by Chinese companies as way of maintaining legitimacy in the eyes of the global community and responding to institutional pressures. However, other internal stakeholders, such as employees and shareholders, still have weak power to influence sustainability reporting practice in China’s mining and minerals industry. Therefore, to improve the comprehensiveness and usefulness of sustainability reporting, the lower level municipal governments, which act as the state’s agents, local communities, and internal organizational factors, such as corporate governance procedures, supervisory board, managers’ attitudes and corporate resources, should play significantly complementary roles.

Keywords: China, Mining and Minerals Industry, CSR Reporting, Content Analysis, Benchmarking