

Corporate Social Responsibility in Coal Mining: A Case of Singareni Collieries Company Limited

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Introduction

The term Corporate Social Responsibility (CSR) includes environmental, social, and human rights-based impacts and initiatives of companies (Ward and Fox 2002) and many countries in both industrialised and the third world take the concept and practices seriously (Hopkins 2003). CSR is playing an increasingly significant role in companies' narratives and practices, particularly in the case of mining (Hamann and Kapelus 2004). The international prominence of CSR in mining can be traced to mining's potentially significant negative social and environmental impacts, and the related criticism levied at mining companies from governments, NGOs, and local community organizations (Banerjee 2001; MMSD 2002). CSR also plays a special role in mining because of the inherent finiteness of the resource body and the environmental and social impacts related to mine closure (Warhurst and Noronha 2000).

The reasons for corporate environmental and social reporting are rooted in Agenda 21, adopted by the United Nations Conference on Environment and Development at Rio in 1992. This calls for a number of actions by industry to work towards sustainable development. For example, principle 10 promotes the disclosure of environmental performance information by industry (Warhurst 1998). Increased and concerted global efforts have been underway since 1998 beginning with the formation of Global Mining Initiative (GMI) and the subsequent design of Mines, Minerals and Sustainable

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Development Project supported by nine major mining companies. The International Council for Mining and Metals (ICMM) has been established as an industry peak body and the Extractive Industries Review (EIR) findings have led to the Extractive Industries Transparency Initiative (Lahiri-Dutt 2007). These global processes have forced some of the global mining companies to accept that they need a 'social licence to operate' in developing countries (Lahiri-Dutt 2007).

During the recent phase of globalisation mining companies have contributed towards improved social development, through providing jobs, building an industrial base, paying taxes, earning foreign exchange, they have also been linked publicly to interference in sovereign affairs, deepening disparities in wealth, poor labour conditions, corruption, transfer pricing, pollution incidents, health and safety failings, and the disrespect of human rights (Warhurst 1998). Many corporate policies of global mining industry now explicitly address broader social justice objectives, local and indigenous employment, security and human rights, sustainable livelihoods, culture and heritage, the need for undertaking social impact assessments, ethical procurement and stakeholder and/or community consultation (Kemp et al 2006). Many international mining companies now regularly hire social scientists, anthropologists and even gender specialists, for advice on good practices for integrated management of social and environmental issues around their mine sites (Lahiri-Dutt 2007).

This paper has been organized as follows. The first section is an introduction to the study. The second section reviews relevant literature related to CSR activities of mining companies. Section three describes the study area, Singareni Collieries Company Limited data collection and methodology. Section four discusses important results and section five concludes this study.

Review of Literature

According to Business for Social Responsibility (2007), CSR brings not only risks for the mining industry, but also creates a set of opportunities. It can help companies secure their

social license to operate, contribute in a meaningful way to sustainable development, and ultimately add value not just for shareholders but also for all of their stakeholders- for the communities and others who are affected by the company's operations.

Cernea (2007) has given examples of different countries on how they share the project benefits with the project affected persons. Colombia allocates a certain percentage of benefits from hydroelectric plants to the development of rehabilitated area. In Brazil there is a principle of reinvesting a percentage of royalties from hydropower to the resettlement area. Canada adopted a strategy of partnering with the local communities for equity sharing. In China there are important agencies, which have the responsibility of managing the reservoir development funds and initiating development interventions to benefit the resettlers.

There are, appreciably, several cases of companies in India involved in diverse issues such as health-care, education, rural development, sanitation, micro-credit and women empowerment, arts, heritage, culture, and conservation of wildlife and nature, etc (Arora and Puranik 2004). Given the increase in corporate profits on the one hand and the reality of human-poverty and development indicators on the other, CSR seem to be in a embryonic stage in India. Critics also argued that CSR is primarily about green wash, or the projection of a caring image without significant change to socially and environmentally harmful business practices. Therefore, there is a need to increase the understanding and active participation of business in equitable social development highlighting it as an integral part of good business practice.

Viviers and Boudler (2008) study investigated the CSR performance of selected mining companies listed on the Johannesburg Securities Exchange. The 2006 Annual Financial Statements of each company were analysed by means of content analysis. According to their study, CSR issues with an economic impact, such as HIV/AIDS, tend to be given priority by mining companies, where as CSR issues related to empowerment receive less attention. The study recommended that mining companies should focus more on health

and safety issues and environmental issues which lie on the ethical and philanthropic levels of CSR.

Jenkins and Yakovleva (2006) tried to explore recent trends in the reporting of social and environmental impacts and issues in the global mining industry. It offers a detailed review of the development of media for social and environmental disclosure in the mining industry, and of the factors that drive the development of such disclosure. A temporal analysis of recent trends in disclosure using a case study of the world's 10 largest mining companies was presented. The result shows that whilst there is evidence of increasing sophistication in the development of social and environmental disclosure, there is considerable variation in the maturity of reporting content and styles of these companies.

A study on Iron Ore mining industry in Goa shows that many large mining companies have their own initiative towards environmental and social development. However, a structured CSR policy and planning is generally missing, especially among the small and medium players in the industry. CSR has not yet emerged as an important theme among the mining community in Goa.

Banerjee (2004) mentioned that for carrying mining activity in the future, adequate attention should be given to the social dimensions of mining. He has mentioned the commendable community development work done by many mining companies and to disseminate the knowledge generated, for example, the progressive Resettlement and Rehabilitation (R&R) policy adopted by Coal India and the transfer of lessons learnt from the World Bank's Coal Sector Environmental and Social Mitigation Project to other mines. This has the potential to bring in a major change to the social dimensions of the mining sector in the country.

Hamann and Kapelus (2004) argued that CSR related narratives and practices can be fruitfully assessed with reference to accountability and fairness as key criteria. Brief case studies of mining in South Africa and Zambia suggest that there are still important gaps

between mining companies' CSR activities, on the one hand, and accountability and fairness, on the other. Their conclusion is that companies' CSR-related claims, and particularly the reference to a business case for voluntary initiatives, need to be treated with caution. Poor attention to community development and engagement with the landowners caused the closing down of a large copper mine in Papua New Guinea. The Phulbari coal mine project in Bangladesh was abandoned in 2006 because of community agitations for alternative livelihoods (Lahiri-Dutt 2007).

The mining companies should try to place an equal emphasis on concerns related to the environment, the economy and the community. The representatives of companies, government officials, and community members should be involved in resolving problems, which arise because of mining. Most of the time, local communities, governments and mining companies are uncertain about their respective roles and responsibilities in the development of mining, and they are unable to act or participate effectively in decisions related to mining activities (Conway 2003). Some of the core issues, which the company should deal with, are:

- (a) Rehabilitation and Compensation issues should be dealt with equitably. The company should provide all infrastructure facilities to the rehabilitation colony. They should take into consideration the plight of landless households.
- (b) Proper care of environmental quality. Concerns about air pollution, water pollution and degradation, lands and forests should be given proper emphasis.
- (c) The company should invest in improving human and physical capital of the region. Education, basic amenities, health care, training opportunities should be provided not only to the employee's family but for the community as a whole.
- (d) Issues of post-mine closure like unemployment, income potential, migration, environmental clean up should be discussed much in advance.
- (e) Effective administration, rule enforcement and accountability should be keywords in the process of rehabilitation as well the functioning of the mines.

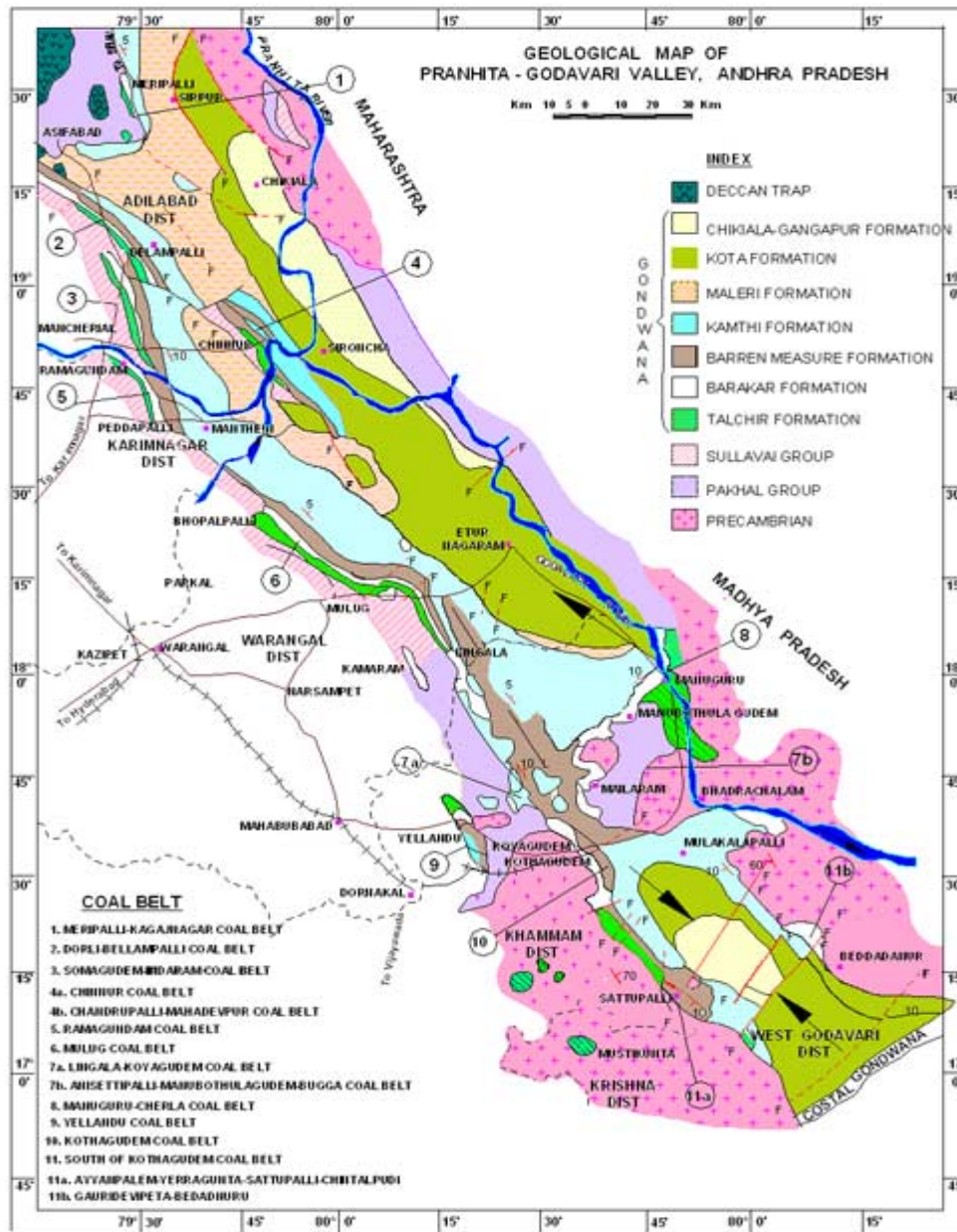
Study Area, Data Collection and Methodology

The Singareni Collieries Company Limited (SCCL) is a government coal mining company jointly owned by the Government of Andhra Pradesh and Government of India on a 51:49 equity basis. It is the only coal mining company of South India. SCCL's coal reserves stretch across 350 Km of the Pranahita - Godavari Valley (Figure 1) of Andhra Pradesh with proven geological reserves of 8791 Million Tonnes (MT). SCCL is currently operating in 13 opencast and 42 underground mines in 4 districts of Andhra Pradesh Viz. Adilabad, Karimnagar, Khammam and Warangal with manpower around 78,000.

SCCL dispatches coal to most of the customers in Andhra Pradesh and to some extent in other parts of Southern India. Customers are categorized as Core Sector (Power houses, Cement plants, Railways, Defence etc.) and Non-Core Sectors (Paper, Textiles, Bricks etc.). Cement sector receives higher grade coal like 'B' and 'C' and lower grade coal like 'E', 'F' and 'G' goes to power houses. According to the "dual price policy" of SCCL, non-core sectors are charged 5% over and above the rate charged for the core sector.

The next section tries to explore the nature of social and environmental disclosure in SCCL during the period 2001 to 2007. Data related to CSR are not comparable either within a report, between reports of different years. However, temporal explorations of the trends in such disclosure are possible (Jenkins and Yakovleva 2006). By looking at the social and environmental disclosure of mining companies over time, the paper aims to illustrate how the nature, content and style of reports has developed, whether any development is consistent, and the implications of this for future reporting. Our main aim is to explore the disclosure of social, environmental and ethical policy statements (looks at the trend in such policy statements) rather than attempting to assess whether these policies are actually applied in any meaningful way.

Figure 1: Map of Pranahita-Godavari Valley



Source: <http://scclmines.com/apminerals.asp>

This research is based on a case study approach, and is based on the study of SCCL. This research utilises a secondary data collection method – namely a simple content analysis of Annual Reports and mission statements. Content analysis is a “research tool used to determine the presence of certain words or concepts within texts or sets of texts.

Researchers quantify and analyze the presence, meanings and relationships of such words and concepts, then make inferences about the messages within the texts” (Colostate University 2008). Krippendorff (2004) outlines the following advantages of content analysis:

- (a) Looks directly at communication via texts or transcripts, and hence gets at the central aspect of social interaction.
- (b) Allow for both quantitative and qualitative operations.
- (c) Provides insight into complex models of human thought and language use.

A number of disadvantages of content analysis is also highlighted.

- (a) It can be extremely time consuming
- (b) It is devoid of theoretical base
- (c) Tends to often simply consist of word counts

These disadvantages were however not experienced in this research as CSR occupies a very small place in their Annual Report. In order to understand the extent to which mining companies are currently addressing social responsibility within their policies and practices, and are evaluating and reporting publicly their progress, we reviewed publicly available information in annual and special reports and mission statements.

Result and Discussion

The analysis of SCCL’s Annual Report shows that, it is a combination of two reports: SCCL Annual Report and Andhra Pradesh Heavy Machinery & Engineering Limited

(APHMEL) Annual Report, which is a subsidiary of the SCCL. The Annual Report indicates that financial issues receive detailed coverage, with little mention of social and environmental issues. The report starts with the performance indicators of previous years followed by a notice to the shareholders- followed by the Directors' Report. It consists of a review of the previous year- financial results, production, productivity, marketing, research and development, future scenario and acknowledgements. The rest of the document is made up of Auditor's Report on management replies, balance sheet, profit and loss account and one page on expenditure on social overheads. Although the emphasis of SCCL is on financial reports, there is a brief report on their CSR .

In 2007, SCCL produced its 86th Annual Report & Accounts 2006-07, which covers only one paragraph on CSR. SCCL maintains a website, which contains information on their social and environmental operations. A downloadable PDF version of their Annual Report is available for last two years. During 2002-07, the titles of the Annual Reports evolved from growth-centric titles like 'Fuelling Growth' to environment-centric titles like 'Coal Mining with Concern for Environment'. The company does not produce a separate environmental and social report every year. They disclosed such information over a few pages in Annual Report and Accounts. Table 1 shows the temporal development of social and environmental disclosure of SCCL from 2001-02 to 2006-07.

Table 1: Temporal Development of Social and Environmental Reporting of SCCL

Year	Welfare of Employees and Social Security	CSR	Activities of Singareni Seva	Safety in Mines	Human Resource Development	Sustainability	Environment and Ecology
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	Schemes		Samiti				
2001-02	✓	✗	✓	✓	✓	✗	✓
2002-03	✓	✗	✓	✓	✓	✗	✓
2003-04	✓	✓	✓	✓	✓	✗	✓
2004-05	✓	✓	✓	✓	✓	✗	✓
2005-06	✓	✓	✓	✓	✓	✗	✓
2006-07	✓	✓	✓	✓	✓	✗	✓

Source: Annual Report & Accounts (2001-02 to 2006-07).

From 2001-02, SCCL has reported on welfare of employees and social security schemes, safety in mines, human resource development and environment and ecology. Welfare of employees and social security schemes include housing and sanitation, educational, recreational and medical facilities. The Singareni Seva Samiti, a voluntary society for the cause of the coal miners, has been arranging training programmes for the unemployed children of employees to provide them an avenue for livelihood. The main focus for improving the safety in the mines is on improving the awareness and bringing safety consciousness among employees through various programmes and trainings. Human Resource Development aims at bringing overall development through various training and management development programmes. Environment and ecology include measures taken by the company for protection of environment, bio-diversity and for prevention of pollution. However, most of the measures are only for the employees and their family and they have ignored the larger community. Social responsibility came into their report in the year 2003-04 and it took the name corporate social responsibility in 2005-06. SCCL is yet to place sustainability in their report. Table 2 shows the reporting timeline.

Table 2: Reporting Timeline of SCCL

Reporting	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Annual Report (Number of Pages)	104	100	98	102	94	96

SCCL Annual Report (Number of Pages)	64	58	59	59	56	56
Social and Environmental Information (Number of Pages)	4	4	4	4	4	5
CSR (Count of Words)	0	0	45	81	163	239

Source: Annual Report & Accounts (2001-02 to 2006-07).

Total Annual report (combination of SCCL and APHMEL) varies from 94 pages to 104 pages , where SCCL Annual Report consist of 56 to 64 pages. In this only 4-5 pages are devoted to social and environmental information. CSR is yet to get one page in this report. This shows how SCCL has neglected CSR in their Annual Report. In 2002-03 for the first time they added one statement related to CSR in their mission statement. The statement is as follows: “To emerge as a responsible Company through good Corporate Governance, by laying emphasis on protection of environment & ecology with due regard for corporate social obligations”. A year after in the Annual Report of 2003-04, SCCL introduced one paragraph on CSR. Though CSR is yet to get one page in their Annual Report number of word count devoted to CSR is increasing year by year. In 2005, SCCL published a book named “Eco-Friendly Coal Mining: The Singareni Approach”. This book deals with the innovative forestry and environmental management practices in SCCL, environmental awareness education in SCCL, energy conservation measures in SCCL and it discusses innovative measures for utilisation of fly-ash in promoting eco-friendly coal mining. As per the title the book emphasises only environmental problems and not a single page has been devoted to social issues. As the number of word count devoted to CSR is rising it is interesting to study the major issues covered in CSR (Table 3).

Table 3: Major Issues in CSR

Year	Major Issues Covered
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2003-04	Social Infrastructure:
2004-05	Social Infrastructure and other measures
2005-06	Sustainable Economic Development. Protection of Environment
2006-07	Responsible corporate citizen

During 2003-04 social responsibility was included in the Annual Report. Emphasis was given to development of social infrastructure in coal-belt areas. The activities included providing or improving roads, drainage and sanitation facilities, street lighting, drinking water supply, educational facilities etc. In 2004-05, the scope of social responsibility was expanded to include activities like organising medical camps, supporting voluntary organisations working for the cause of society, environment, culture, weaker sections and physically handicapped and mentally retarded people. In 2005-06, SCCL's CSR policy clearly spelt out their firm commitment for contributing to sustainable economic development, ensuring decent working environment and quality of life to employees, providing basic social amenities to the local population living in the vicinity of coal mining areas and striving for the protection of environment, ecology and bio-diversity. In 2006-07, the company further expanded the scope of its CSR to providing facilities for sports, recreation, and relief during natural calamities, arts, culture and social welfare by taking up the activities on its own and also by supporting voluntary and philanthropic organisations.

Mission Statements: The analysis of mission statements generated some valuable insights about relations between business and society (Maphosa 1997). From an analysis of mission statements it is easy to tell who the organisation regards as its most important stakeholders among numerous of them such as shareholders, employees, customers and the community (Maphosa 1997). Table 4 summarises the important issues in mission statements.

Table 4: Major Issues in Mission Statements

Major Issues	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
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Customers' interests	✓	✓	✓	✓	✓	✓
Shareholders' interests	✓	✓	✓	✓	✓	✓
Employees' interests	✗	✗	✗	✗	✗	✗
Environmental concerns	✗	✓	✓	✓	✓	✓
Community involvement	✗	✓	✓	✓	✓	✓
Excel in business	✓	✓	✓	✓	✓	✓

Customer's interest comprised the concern of providing customers with quality products or services and concern with fostering cordial relations with customers (Maphosa 1997). SCCL has kept this as one of their important statements "To supply reliable and qualitative coal in adequate quantities and strive to satisfy customers needs by constantly sharing their experience and customized our product". Shareholder's interest was expressed as the need for the companies to maximise returns on shareholders' investments. As stated by SCCL "To strive for self-reliance by optimum utilisation of existing resources and earn adequate returns on capital employed. Employees' interest encompassed health and safety, worker partnership in ownership and decision-making, provision of social services, skill development and motivation (Maphosa 1997). SCCL has not mentioned any line about employee's interest in their mission statements. Environmental concerns and community involvement was not a part of mission statements in 2001-02. However, such a statement was added in 2002-03 i.e. "to emerge as a responsible company through good Corporate Governance, by lying emphasis on protection of environment & ecology with due regard for corporate social obligations". An analysis of mission statements shows the important mission of SCCL is to excel in business. That is the foremost mission "to retain our strategic role of a premier coal producing company in the country and excel in a competitive business environment.

Conclusion

Corporate worldwide have been placed under increasing pressure by stakeholders to perform business activity in a more socially responsible manner. This study investigates the corporate social responsibility performance of Singareni Collieries Company Limited. The study reported findings of a content analysis of mission statements and annual reports. The analysis shows that mission statements emphasizes customer interests and the maximisation of returns for shareholders, while annual reports give more attention to financial than social issues. This indicates that CSR is still a peripheral concern in the agenda of SCCL. In the absence of a legal framework mandating social responsibility, social issues will continue to achieve a peripheral attention in their policies and strategies.

The scope of the study can be extended to other subsidiaries of Coal India Limited (CIL). Comparisons could, for example, be made between different subsidiaries of CIL, coal mining companies with non-coal mining companies and other corporates. Additionally, increasing the sample size would increase the accuracy of empirical results. This study merely consisted of a word count and it is thus suggested that a follow-up study should focus on an in depth identification into the context in which key words were used by the companies in their annual reports.

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