Quality of the Mining Sector's Sustainability Disclosure: A Regional Scoring and Comparison of Sustainability Reports from Canada, South Africa, and Europe

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Background

Metals are essential to produce energy, community infrastructure and transportation, space technology, communications equipment, and enable water transport, healthcare, farming, and the building of cities.[1] However, mining companies' economic growth, resource use, and presence on the biosphere has inevitably resulted in decades of large-scale biodiversity loss and habitat destruction,[2] incidents of violence and human rights violations,[3] displacement of Indigenous peoples,[4] contribution to climate change via carbon emissions,[5] and exploitation of water resources in water-stressed areas.[6,7]

Since the 1990s, the mining sector has been the first to adopt non-financial disclosures, due in part to intense public scrutiny of environmental and social impacts. European legislation, namely the New Directive, and South African corporate governance principles, such as the King Report of Corporate Governance, are instruments which have influenced the popularity of mandatory sustainability reporting and integrated reporting among corporations, respectively. Despite the mining sector's pioneering in sustainability reporting, issues related to sustainability and integrated reporting *quality*, *credibility*, *motivations*, and *completeness* are present.[8,9,10] There has been a clear call for more transparent reporting, multi-stakeholder consultation, and a systems-based/holistic approach to non-financial disclosures.

Research Question & Objectives

Canada, South Africa, and Europe each have different national/governmental approaches to corporate social responsibility and sustainability reporting in the mining sector. For example, sustainability reporting is a voluntary practice in most nations[11] such as Canada; non-financial disclosures are a mandatory practice in Denmark and France and certain corporations within the European Union; and Integrated Reporting is becoming the mainstream in South Africa.[12,13] With each region comes a history of sustainability reporting trends and issues. This paper explores the regional difference in quality of sustainability reporting from mining companies based in South Africa, Canada, and European nations.

- What is the quality of selected sustainability reports from mining companies based in South Africa, Canada, and European nations?
- Which region will have higher quality sustainability reporting? Will European reports have a higher quality?
- What indicators are being reported on consistently or inconsistently, well or poorly in the selected sustainability reports?

Methodology

This paper uses an original scoring tool, this paper will score and assess the perceived quality of 45 published sustainability/integrated reports from mining companies in Canada, European nations, and South Africa.

Before creating my scoring tool, I reviewed the academic and industry literature for key issues in quality, such as aspects of disclosure reliability and credibility, qualities of complete disclosure, and critiques of reporting frameworks such as the Global Reporting Index. For my scoring tool, I used a set of 11 criteria to interpret the quality of the selected sustainability report's content. These criteria have been derived from international best practices, and global standards, namely the Global Reporting Index (GRI), as well as issues brought forth in academic and industry literature. The international standards and frameworks I have considered in this process are the GRI, the Sustainability Accounting Standards Boards (SASB), the Task Force on Climate-Related Financial Disclosures (TCFD), and the International Council on Mining and Metals (ICMM) Principles. In addition, I consulted the BellagioSTAMP principles for Sustainability Assessment and industry professionals for guidance on the indicators. Ultimately, the GRI framework discloses principles speaking to the report content and quality, which were used for the scoring tool. The criteria I have selected is based off those principles from the GRI: 1) stakeholder inclusiveness, 2) sustainability context, 3) important topics, 4) completeness, 5) balance, 6) comparability, 7) accuracy, 8) timeliness, 9) clarity, 10) reliability, and 11) forward-looking.

I selected 45 companies in total (15 from each region), and selected a sustainability report, integrated report, or if no non-financial disclosure was available, an annual report. To remove as much bias from the scoring as possible, I engaged six independent readers, each with some level of exposure to corporate sustainability reporting, ESG reporting, sustainability and community relations in mining. Each report was read and scored by two independent readers and myself.

Results

Scores on the quality of Canadian, European, and South African sustainability reports are extremely close: both average scores (i.e., average score for an individual company report) and total regional score (i.e., the sum of all company report's average scores) are extremely close. It must be noted that all regions experience a high standard deviation, suggesting that there is significant variability in the quality of the selected sustainability reports.

Selected sustainability reports from Canadian mining companies demonstrate an average score of 78.91, a total regional score of 1183.67, a regional median score of 85.67, and a standard deviation of 21.05. A perfect "meets criteria" score would be 108.00, and a perfect "exceeds criteria" score would be 162.00. Selected sustainability reports from European mining companies demonstrated the lowest average score of 76.15, the lowest total regional score of 1142.2, a median score of 86.33 and a standard deviation of 27.17. Selected reports from South African mining companies demonstrate the highest average score of 79.35, the highest total regional score of 1190.32, and the highest regional median of 90.33.

Specifically, the top five performers in terms of quality of sustainability reports are Teck Resources (Canadian), AngloAmerican PLC (European: UK-South African ownership), Kumba Iron Ore (South African), Impala Platinum (South African), and Kinross Gold (Canadian).

From the results of this scoring and comparison, South African mining company sustainability/integrated reports are marginally of higher quality than its European and Canadian counterparts. South African reports demonstrate a higher regional average score, a higher regional total score, and a higher regional median score. In addition, South African reports demonstrate higher-quality disclosure in ten of the 14 indicator categories (refer to Table 8 in results section), compared to Canadian and European reports, which demonstrate higher-quality disclosure in five of the indicator categories. From the scoring, assessment, and word cloud visual, strategy/management and governance indicators appear to be a priority for South African reports.

Region	Average Report Length (number of pages)	Average Score	Total Regional Score	Regional Median	Standard Deviation
Canada	81	78.91	1183.67	85.67	21.05
Europe	91	76.15	1142.2	86.33	27.17
South Africa	**134**	**79.35**	**1190.32**	**90.33**	**28.76**

1st Quartile
18% Canadian
36% European
63% South African
2nd Quartile
41.6% Canadian
25% European
33% South African
3rd Quartile
36.3% Canadian
36.3% European
27.3% South African
4th Quartile
36.3% Canadian
36.3% European
27.3% South African

Image 1. Word cloud displaying which environmental, social, governance and strategy indicators were reported on in the highest quality among South African mining company sustainability reports. Out of the 15 reports assessed, the key indicators demonstrating high-quality disclosure are stakeholder identification, sustainability context, senior-level statement, stakeholder concerns, governance structure, board-level statement, and holistic engagement.

Discussion/Findings

General Results: From the scoring, assessment, and word cloud visual, strategy/management and governance indicators appear to be a priority for South African reports. This potentially supports the scholarly discussion around the importance of governance, ethics, integrated representation of both financial and sustainability performance, and improved stakeholder awareness of the business practices in the Integrated Reporting of South African corporations. The introduction of the King Code of Corporate Governance Principles, and more specifically the King IV Report on Corporate Governance of 2016, could have an impact on the increased quality of disclosure of integrated and sustainability reports in South Africa. High quality disclosure of environmental, social, and governance (ESG) information could be a method to not only enhance the reputation and competitiveness of South African firms in the global financial market, but to demonstrate legitimacy.

Quality of Disclosure

A universal theme among the results is the significant variability in the average scores of each individual sustainability report. The standard deviation for each region demonstrates this high variance in data. This key finding speaks to the issues of credibility and reliability of sustainability, which has been widely criticized in the literature. What's more, it demonstrates that, of the selected sustainability reports, there is variability in the quality of indicators reported *within* a company's report: it was a common finding for a report to disclose some environmental indicators fully and in high-quality, while obfuscating/simply not disclosing any information on another indicator.

Drivers of High-Quality Disclosure

In this regional scoring and assessment, leaders in high-quality disclosure perhaps may be looking to address public scrutiny; legitimize its business activities (i.e., legitimacy theory); or appeal to stakeholders (i.e., stakeholder theory). From this scoring and assessment, it is not possible to correlate implementation of mandatory non-financial disclosure legislation to improved quality of sustainability reporting. This increasing importance of a social license to operate may influence how mining companies are engaging in stakeholder engagement and community relations, and consequently how mining companies choose to communicate through sustainability reporting.

Recommendations

- Mandatory external assurance of reports by a diverse set of independent auditors: financial and accounting auditors, along with experts to assess ecosystems and ecology, waste and hazardous materials, energy and emissions, and environmental sociologists to assess human rights, social justice, stakeholder engagement, Indigenous rights, community relations, diversity and inclusion.
- Representatives from notable reporting frameworks (GRI, SASB, TCFD) should assess and guarantee that reports (claiming to be "in compliance with" a reporting framework) are actually complete in the disclosure of all indicators and assign an "approval" label to the report.
- Ideological/Environmental sociological redefinition of the term 'sustainable development' to reflect the realities of society, planetary boundaries and resources, and thus reshape corporate sustainability initiatives.

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