

Csr policy at bhp billiton



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After thorough deliberation of the research, the analysis indicates that BHP boasts of a good CSR reputation. However the activities that feature in this report are questionable CSR practices and there is a growing gap between BHP's rhetoric and the reality of its operations.

The report also evaluates why these controversial activities have not had a significant effect on BHP's corporate image. In particular, outlining BHP's use of its CSR Policy as a Public Relations (PR) tool to manage its reputation.

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Introduction

BHP Billiton was formed in 2001 through the merger of the BHP (a natural resource company) and Billiton (mining company). It now operates in 25 countries, employs approximately 41, 000 people and has a market value of over 250 billion (BHP Billiton, Our business n. d.).

Milton Friedman describes CSR as a “ fundamentally subversive doctrine” and states that “ there is one and only one social responsibility of business which is to use its resources and engage in activities designed to increase its profits so as long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (Hamilton & Fitzgerald 2005).

While many leading companies are genuinely moving in this direction, others are simply seeking a relatively short-term improved public perception of their operations.

Increasingly CSR has become a major concern in the global mining economy because of the heightened awareness of unethical business behaviour. Most recent examples of this include the devastating oil spill in 2010 by British Petroleum (BP) in the Gulf of Mexico (BP, Gulf of Mexico Restoration n. d.).

Price Waterhouse Coopers identify a number of challenges BHP and many other natural resource companies face in today's environment:

improving safety and reducing the environmental impact

improving performance and operational effectiveness

managing risk

complying with regulatory reporting requirements and

addressing sustainability issues. (Price Waterhouse Coopers, n. d)

BHP Billiton

BHP responds to community expectations with a combination of policy's including a code of conduct, sustainable development policy and many others designed to set the standard of which it conducts its business. At the forefront of this approach stands BHP's CSR Policy.

CSR Policy

BHP define its CSR Policy as a “ requirement to address risks”, explicitly stating it has “ zero tolerance” for the misconduct of:

child labour,

forced or compulsory labour,

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treatment of employees,

living wages,

workplace health and safety,

freedom of association,

world heritage sites and protected areas,

biofuels,

corruption, bribery and extortion,

compliance with laws,

discrimination,

indigenous rights and

the environment (BHP Billiton, Corporate social responsibility requirements n. d).

Communication and Advertisement

BHP uses four communication channels on its website to advertise its CSR

Policy:

reports, which reference CSR information for stakeholders,

announcements, available on its home page which are designed to provide updates on their CSR performance and activities,

multimedia, the website also offers effective use of multimedia to enhance their CSR information through relevant images, interviews and other media, feedback, BHP invites stakeholders to provide feedback via their website by submitting online questions (BHP Billiton, Our business n. d.).

Uniqueness of CSR Policy

The level of CSR differs from each company, however after comparing BHP with Shell and British Petroleum, two of its natural resource competitors; it is clear all three competitors are trying to get value from their CSR reporting by focusing on the environmental and social concerns of their stakeholders. This includes such things as political, economic, environmental, social, legal and cultural factors.

Drivers of CSR

(Benn & Dunphy 2007) argue that corporate social responsibility may in fact be the consequence of profitability rather than the cause. So the question stands, is BHP's CSR Policy driven by true concern for society, or is it another way to increase corporate profit?

BHP argue that its decision to report on Corporate Social Responsibility is based on:

consideration of the key health, safety, environment, community and socio-economic risks of our business

consideration of stakeholder feedback and commentary with regards to issues of materiality

a desire to continually improve reporting standards

Evidence of Commitment to CSR

BHP uses a number of methods to ensure it complies with its CSR Policy. This includes but is not limited to:

conducting a progress assessment on its performance in relation to the UN Global Compact principle and the Global Reporting Initiative which are designed to align their operations.

holding an annual Forum on Corporate Responsibility (FCR) that brings together representatives of senior management and key non-government organisations and community opinion leaders to discuss and debate social and environmental matters relevant to BHP.

Investing in community projects and recording its community contributions spend against the UN Millennium Development Goals (MDG), this presents a consistent framework for measuring tangible progress.

The reporting methods noted above are publically available on BHP's website, this is proof that BHP acknowledges the challenges in the nature of its operations.

Assurance

BHP commissioned the URS in 2006 to provide an independent review of its Sustainability Report (URS Australia, n. d). The results indicated that BHP's Sustainability Report fairly represents the health and safety, environment, community and socio-economic impacts of its operations.

Rhetoric or Reality

BHP Billiton has argued in theory that it abides by its strong corporate responsibility; however there is a growing gap between its rhetoric and the reality of its activities.

The following cases are examples of challenges faced by BHP's operations when policy does not equate to practice:

Natural Resource Industry

BHP's core business is to provide natural resources, an industry which has had increased social pressures to act responsibly. It can be argued that BHP's CSR Policy was produced as a public relations tool to mitigate the negative impacts of its core business activities and also to maximise profits for its stakeholders. The real test here is does BHP act ethically when it has the opportunity to make a profit (Pratt & Nikolova 2006). This was demonstrated most recently when BHP advised of its intentions to supply the Chinese energy market with an additional 10, 500 tonnes of uranium annually. The Australian Conservation Foundation (ACF) warn that once the uranium enters China it will disappear from the safeguards radar, this could potentially lead to devastating outcomes such as nuclear proliferation. Clearly BHP has a greater CSR here but unfortunately the \$80 million in revenue was more important than its public image or the health of the wider community.

Economic Influence

BHP's CSR Policy specifically prohibits the influence of government officials to support the company practices. Most recently in 2010 the Australian Federal Government proposed a super profit mining tax estimating to have made \$100 billion in revenue between 2012-13 and 2020-21. However the government was subsequently influenced by three major mining companies including BHP, who explicitly opposed the tax proposal, threatening Australia's investment capital (The mining company that cried poor 16 February 2011). As a result the Prime Minister slashed 30 per cent of the tax which means the Australian taxpayers will take a forecast revenue hit of \$60 billion over a decade while BHP reports over \$10 billion profit for the second half of 2010.

Corruption, Bribery and Extortion

Clarke (2007) argues that the debate concerning the true extent of the accountability and responsibility continues to the present day. BHP states that:

“ All contract related transactions and payments, including those in connection with gifts and hospitality and other expenditures, must be accurately recorded in reasonable detail in the books and records of any supplier who works on behalf of BHP Billiton” (BHP Bilton, Corporate social responsibility requirements).

However in April 2010 BHP was investigated by the United States Securities and Exchange Commission after Cambodia's Minister for Water Resources told the country's National Assembly that BHP Billiton had paid US\$2. 5 million in unofficial payments, to the government, to secure a mining

concession (An Alternative Annual Report 2010). BHP has not revealed what over payment was for but controversially the countries BHP operates in have poor records on corruptions and are desperately in need of foreign investment.

Protection of the Environment

BHP states that:

“ Protection of the Environment: The supplier must operate in a manner that is protective of the environment and comply with all applicable environmental laws, regulations and standards, environmental permitting and re porting (BHP Bilton, Corporate social responsibility requirements).”

However in 1996 it was sued by Slater and Gordon for one of world’s most devastating environmental disasters when it discharged over one billion tonnes of tailings and waste material into the source of the Ok Tedi River in Papua New Guinea (PNG). This caused more than 3, 000 square kilometres of deforestation, turned the tropical rain forests into savannahs, caused 95% decline in fish population (An Alternative Annual Report 2010).

Workplace Health and Safety

BHP states that it must ensure:

“ the provision of safe and healthy working facilities and appropriate precautionary measures to protect employees from work-related hazards and anticipated dangers in the workplace (BHP Billiton, Corporate social responsibility requirements).”

However five of its workers in the Western Australia operations died in fatal injuries due to unsafe working practices from 2008-2010 (An Alternative Annual Report 2010).

BHP also states that it must ensure:

“ workers receive regular and recorded health and safety training (BHP Billiton, Corporate social responsibility requirements).”

However in its South African operations employees were not informed about the health and safety risks of handling a chemical element called “ manganese” which causes illnesses such as Parkinsons Disease (An Alternative Annual Report 2010).

Effectiveness of BHP’s CSR Policy

Despite its bad history BHP has usually maintained a good CSR reputation. In fact the Australian Centre for Corporate Social Responsibility went so far as to list BHP in the ‘ 2010/11 Top 20 Australian Listed Companies’ based on its advanced CSR capabilities (State of CSR in Australia Annual Review 2010/11).

The real question here is has BHP earned its right to good CSR reputation?

History of Public Relations

It is a well-known fact that many companies spend a lot of money on Public Relations (PR) to manage their reputation.

In the late 1990’s BHP employed the Ecos Corp, an environmental PR company founded by former Greenpeace International Executive Director

Paul Gilding to help repair its reputation after the OK Tedi Mine disaster in PNG (Ecos 2007).

The public relations was aimed at countering the bad publicity through campaigns including advertisements in business publications such as the Financial Review and Australian TV. BHP also offered legal support to the PNG Government for the development of new environmental laws.

Unfortunately for BHP, this resulted in an even bigger public outcry, as the company was accused of interfering with its legislation in an effort to protect its own interests (Quester et al 2001).

Evaluation

The evaluation of BHP's CSR Policy resides in the adequacy of its reporting standards.

Clarke (2007) argues that in order for a company to receive credibility they must disclose their processes, procedures and assumptions in reporting.

It can be argued that BHP has intentionally chosen not to transparently report on the cases as mentioned in this report, for the simple fact that it leaves it open to more risk and public scrutiny. However this lack of acknowledgement effectively contradicts its stewardship and attests its reliability.

Increased public awareness demands that CSR reporting will no longer be used as a public relations tool. This can be seen, as mentioned previously, through the introduction of the Australian Federal Government Mining Tax and other legislation such as the UK Bribery Act, both will inevitably have a

significant impact on the way BHP conducts its business. Additionally important are organisations such as BHP Billiton Watch, which was formed to deal with the prominent concerns of communities and organisations across the world regarding BHP's activities (BHP Billiton Watch n. d).

Conclusion

It is inevitable that organisations such as BHP, in controversial industries such as mining, are never going to be holistically accepted. However, today's forward thinking generation recognise the impacts and challenges of CSR including safety, environmental, community and socio-economic issues.

Stakeholders including shareholders demand greater accountability than simply financial returns. Therefore verification and transparency are key to BHP's success and the credibility of its CSR.

BHP boasts of a strong reputation and has an opportunity and increased responsibility to enhance and contribute to a safe renewable environment and set an example for other companies alike.