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## **SUSTAINABLE DEVELOPMENT OF MINING ENTERPRISES AS A STRATEGIC DIRECTION OF GROWTH OF VALUE FOR STAKEHOLDERS**

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**Abstract:** The article discusses the concept of sustainable development and the need for its implementation in the mining industry enterprises. It defines each group of companies' stakeholders and sets gauges measuring their expectations. Additionally, it shows the impact of the financial, environmental and social determinants of building company's value for its stakeholders. The advantages of doing business in a responsible, socially acceptable manner using an integrated reporting system have also been shown in the article. Implementation of sustainable development policies are discussed on the basis of Lublin Coal mining company "Bogdanka" S.A.

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**Keywords:** Sustainable development (SD), Corporate Social Responsibility (CSR), value of mining enterprise

### 1. PREFACE

Nowadays, every company operating in turbulent environments is seeking solutions that will ensure its survival and development. The realization of the overarching objective is to increase the company's value which can be achieved through the use of appropriate management techniques. Challenges of the changing environment led to the development of new systems, concepts and methods of management. The evolution of the traditional management system has led to the emergence of, inter alia, the concept of value based management, the concept of stakeholders and also the concept

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of sustainable development which is the foundation of CSR (Corporate Social Responsibility) (Jabłoński, 2013). The idea of sustainable development, based on the sustainable management, by focusing on specific areas and presenting them as opportunities contributes to the creation of the business in the long term. When used responsibly, it can be a springboard for the development and growth of the company.

The aim of the paper is to present the concept of sustainable development and the effect of sustainable reporting on the ability to create value for stakeholders.

## 2. THE EVOLUTION OF THE CONCEPT OF GOVERNANCE IN THE CONTEXT OF THE SUSTAINABLE DEVELOPMENT

The first attempt to define the concept of sustainable development emerged in the report by the World Commission on Environment and Development in 1987. What observed right then was the absolute need for providing appropriate relationship between economic growth, the environment and man. Sustainable development (SD) was determined then, as a way of conduct to satisfy the ambitions of the current development of the society in such a way that future generations have the opportunity to pursue their own aspirations. Sustainable development was initially identified with the concept of sustainable development, which, however, in its definition submits environmental conditions on the social and economic ones, and it indicates this direction of development as the most important one. The Act of March 27, 2003 has changed slightly this view, acting basically for the sustainable development of Polish spatial policy (Kustra and Sierpińska, 2005).

An example of the implementation of the concept of sustainable development is the EU program "Europe 2020", which is a long-term strategy for socio-economic development of the European Union. The cited document sets out the absolute need to engage all Member Countries to join forces in order to implement the strategy. It identifies three mutually complementary key tasks (Gasiński and Pijanowski, 2011):

- smart growth,
- sustainable growth,
- inclusive growth.

According to the European Commission, focusing on these priorities should allow to exit from the economic crisis, ensure the rational use of resources and be a tool for solving the problems of the modern world, including globalization.

The significance of the principles of sustainable development and the need for their implementation are shown in EU directives and the entries in the major acts including in the Constitution, which resolves: "The Republic of Poland shall safeguard the independence and integrity of its territory and ensure the freedoms, human and civil rights and safety of citizens, safeguard the national heritage and to protect the

environment, guided by the principle of sustainable development" (Constitution of RP, 1997, R.1, Art.5).

SD assumptions considered from the international or national point of view can be translated into local ground. Analysis of sustainable development at the micro level and concentration of the assumptions in the context of a particular economic operator in terms of the attractiveness of the company and its strategy, resulted in the evolution of the management system into the balanced management focused on the integration of the principles of economics, ecology and social norms. The evolution of management systems is shown in Fig. 1.



Fig. 1. Evolution of management systems

Sustainability management paradigm is a tool for implementation of the strategy and company's mission. It provides a flexible management and maintenance of the desired direction in the way of action-oriented goals. The practical implementation of the principles of SD is reflected in relevant business decisions taken by the responsible management boards that aim is not only to multiply the assets of the company and its owners, but also the attention to the interests and well-being of society. For this reason, many companies turn sustainability into strategy development. The implementation of the adopted strategy based on sustainable management can speak of development of the company. According to A. Jabłoński sustainability decision-making is associated with: improved communication, integration, cooperation and closer interaction and partnership with customers, suppliers and a wide range of interested parties (stakeholders), together with the creation of added value, quality, agility, innovation integration and teamwork (Jabłoński, 2013).

Modern business operating with a variable environment requires a change in mindset and moving away from the primary management models based solely on maximizing profits achieved. It is necessary to develop a stronger correlation between profit and social interests. Sustainable development is a harmonious business activity which is not only desirable and justified economically, but also socially and environmentally acceptable. Practical implementation and increasingly popularized usage of the principles of sustainable development proves that it is possible to achieve economic growth without significant interference and environmental degradation. More and

more managers and higher-level managers need to sync the social and business purposes. They admit that business and society are inextricably linked.

Implementation of the concept of sustainable development brings the need to promote sustainable business model based on the integration of activities in three main areas:

- economic growth and equal sharing of the benefits associated with it,
- protecting environment and the rational use of resources,
- social development and providing the society with adequate conditions for work and life.

The objectives pursued in particular areas of sustainable development are shown in Table 1.

Table 1. Main objectives in areas of sustainable development

<b>Economic objectives</b>	<b>Environmental objectives</b>	<b>Social objectives</b>
<ul style="list-style-type: none"> <li>• Economic growth</li> <li>• Maximization of value of the company</li> <li>• Create of added value</li> <li>• Return of investment</li> </ul>	<ul style="list-style-type: none"> <li>• Optimum employment of resources</li> <li>• Minimalization of negativ impact on environmental</li> <li>• Remediation</li> <li>• Recycling</li> </ul>	<ul style="list-style-type: none"> <li>• Welfare</li> <li>• Health protection</li> <li>• Work safety regulations</li> <li>• Respect of human rights</li> <li>• Ensure career paths</li> </ul>

Sustainability is key to the development of an appropriate balance between the assessed areas. The economic aspect involves the need to increase the company's profitability through the effective use of its human, material and financial resources, the implementation of viable projects and investments, and the effective and efficient management at every level of the company. When recognition of the environmental problems is concerned, it can be achieved by reducing emissions of permanent contamination, protection and rational use of resources, ensuring environmental sustainability and the protection of soil, water and air.

For effective and responsible action the company should also take into account in its policy the social dimension which brings the need for a rapid company's response to the needs of society. The most important goal in this dimension is to provide social welfare, access to education, fight against poverty by providing and increasing the number of jobs available, improving health care and care for the personal development of employees. To effectively compete on the market with other entities and create value, it is necessary to harmonize these areas in such a way that the development of one of the areas does not inhibit the development of the other, and it is a stimulator of growth and effective development. In determining the action strategy, one should remember about clear prioritization of economic objectives due to their strategic na-

ture. Implementation of certain activities in the economic area ensures that particular stakeholder groups derive measurable benefits from the functioning of the company, which provides workplaces, supports providers or generates budget income in the form of taxes. Therefore, a key feature is the appropriate balance between SD objective triad and shaping them in such a way that the social and environmental areas would support and stimulate economic area of development.

The implementation of the principles of sustainable development is increasingly being used in order to achieve the organization's competitive advantage, which is based on achieving a good reputation. In many cases it requires diversified operations which is often associated with a long period of time. Therefore, the activities carried out by the company in order to minimize the risk of loss of developed competitive advantage are particularly important because they create value for all the stakeholders.

### 3. THE IDEA OF SUSTAINABLE DEVELOPMENT IN THE CONCEPT OF STAKEHOLDER

The evolution of the current trends in management led to the concept of stakeholders, which redefined corporate goals. Stakeholders are any group or individuals which are influenced by the organization that seeks to achieve its objectives or that has an impact on the achievement of their objectives and is responsible for the welfare and fate of the company (Freeman, 1984). Departing from the classical idea based on the maximization of profit and thus obtain benefits only for owners, the stakeholder's theory recognizes the development of proper relations with various stakeholder groups considering them mainly as a guarantee of success and the success of the organization. Stakeholders of companies might be owners, employees, customers, suppliers, strategic partners, banks, local authorities, etc.

Currently, each company is directly or indirectly affecting different groups of stakeholders. Companies operate and grow successfully through those interested in the organization. Stakeholders, in turn, benefit from the development of enterprises. Mutual understanding and positive, long-term relationships between stakeholders and company are necessary for any of these entities. Analysis of the achievements of companies confirms that the intensification of activities in the area of development of relevant business relationships forged a stronger position on the market.

Reorientation of the objectives of the company enforces the need for interested parties of the business to be constantly informed about company's condition. Rising expectations of stakeholders in relation to companies regarding the provisioning of more complete and accurate information caused that the system of reporting and communication based on economic issues contained in the financial statements has been enriched with social and environmental information.

Reporting non-financial data as an informational tool for sustainable development activities is now an important issue in company vs. market dialogue. Increasingly, in line with the company's mission, it becomes a key factor in corporate business strategy. Tools for measuring and reporting non-financial data are included in the GRI (Global Reporting Initiative) standard. As the world's most popular reporting standard, GRI provides guidance in key areas of sustainable development. It contains a specific set of environmental, economic and social indicators that enable businesses to report their results in an effective and transparent way. Reporting system is used as a way to lead a dialogue with various groups of stakeholders. As a communication tool it helps to identify common goals through the exchange of information and, therefore, directly determines the process of building confidence of stakeholders in relation to the company.

According to a report prepared by Deloitte in 2011 in the field of dialogue development between domestic firms with stakeholders, Polish companies still show some limitations and mistakes in reporting the case of SD issues, especially in relationships with customers, employees and NGOs. However, based on the analysis of current practices, it can be concluded that with time, more and better reporting system is being developed and moving in the right direction. Companies voluntarily take the challenges of sustainable development and work towards fulfilling the expectations of the stakeholders. As shown by the general analysis of open, objective and unconstrained dialogue between the company and other entities allows for a better understanding of the needs of stakeholders and thus contributes to sustainable development (Brzozowski, 2007). Balancing business activities carried out with the social and environmental aspects allows for sustainable development and growth of the company.

The main task of the company in this area is primarily to identify the stakeholders and determine their individual needs. This is especially important for those interest groups which are strongly influenced by the organization and those which have a significant impact on the enterprise. The survival and development of the company largely depends on them. Companies' stakeholders can be owners, employees, customers, suppliers, strategic partners, banks, local authorities, etc. In many cases, the interests of stakeholders are contradictory and therefore an important issue is to find a balance and a compromise in such a way that all parties are satisfied with the benefits (Lulewicz-Sas, 2011).

Detailed analysis of corporate stakeholders is presented in Table 2.

Table 2. Company's stakeholders and standards of expectations

Strength of relations	Stakeholders	Standards of relations
Main	Employee	Salaries, bonuses, personal development programs
	Customers	Indicators of market share, % complaints
	Suppliers	Favourable commercial terms, stable supply system
	Society	Employment, monetary donations, occupational safety and health, regional development
	Shareholders	TSR (total shareholder return), EBIT (earnings before interest and taxes), dividend
	Investors	ROIC (return on invested capital)
	Creditors	Indicators of solvency
Secondary	Competitors	Key Performance Indicators, development of innovations
	Government	Taxes paid
	Media	Advertising efficiency
	Industrial union	Appropriate working conditions, stability of work
	Environmental organizations	Environmental investment

#### 4. MINING ENTERPRISES AS AN EXAMPLE OF ECONOMIC ENTITIES ENROLLING IN THE CONCEPT OF SUSTAINABLE DEVELOPMENT

Mining companies in its strategy focus on such operations, the implementation of which will ensure the competitiveness of enterprises, ensure the stability of business and achieve satisfactory indicators measuring company's value. These activities can be measured by conventional measures of value creation which include the following: EVA (economic value added), MVA (market value added), TSR (total shareholder return), DCF (discounted cash flow), FCF (free cash flow) (Jabłoński, 2013). Ability to use appropriate measurement methods of company's value is determined not only by the specific nature of the mining industry and its conditions but, to a large extent, is influenced by the methods used by the company and the ability to achieve the best, sustainable financial results.

The strategy of building the mining companies at the present time should be implemented on the basis of sustainable development tools. Maintaining a positive and long-term relationships with stakeholders can produce benefits as a result of long-term contracts concluded (including favorable bank loans, long-term contracts with partners) and the use and implementation of knowledge held by stakeholders in the field of technology, conducting business or effective marketing activities (Jabłoński, 2009). Effective and responsible management of the mining business in connection

with the formation of reputation and the reputation of the company allows to multiply its assets which, in turn, leads to increase in value for its stakeholders.

Creation of mining companies' value is determined by the effective implementation of development strategies. The inclusion of sustainable development in decision-making on key developments seems to be an indispensable element. However, it should be noted that the creation of the mining company is much more complicated than in the case of other sectors. This is due, in particular, the number and size of groups of stakeholders and the specificity of the mining industry, which in a particular way is a challenge for the implementation of the concept of sustainable management. Implementation and execution of policies in key areas of sustainable development requires a change in perception where that expenditure is not seen as a must but as an effective tool for implementing the overarching objective of the company, which is the value creation.

In case of mining companies reporting on sustainability issues is of particular importance. Observation of national and international practices indicates a departure from the traditional system of information and accounting based only on financial data. Mining companies are increasingly turning into integrated reporting where traditional financial reports are supplemented with reports of sustainable development based on the principles contained in the GRI. Coal exploitation is inextricably linked to environmental and social aspects and, therefore, undoubtedly fits into the nature of the activities of sustainable development. The presence of a strong relationship between the different areas in the case of the mining industry entails shaping positive investor relations with various groups of stakeholders. Activities integrating business objectives with the goals and expectations of all stakeholders can ensure the survival and development of mining companies in their current difficult economic situation. Nowadays, in the face of a difficult situation of the mining sector in Poland, it is important to create a positive image of the industry both in its closest neighborhood and also on a larger scale with a strong indication that existence of mining industry on the market is unquestionable. Convincing local and national community insofar about the importance of Polish mining industry seems to be a key element. The stream of benefits coming from the mining industry is, in fact, undeniable for the economy and society. As a result of mining companies well-functioning, each stakeholder group derives substantial profits either in the form of taxes paid by the mines, salaries and dividends that are paid out, ensuring cooperation with suppliers, income implementation or ensuring asset interests. Therefore, supporting, strengthening and restructuring of Polish mining industry should be a crucial aspect in developing energy policy in Poland. Additionally, it seems to be important to raise awareness of the society and the authorities on the undoubted loss that would result from shutting down mines. Sustainable reporting seems to be a regulatory tool that can help to solve this issue. Through demonstrating a positive image of Polish mining industry that generates actual profits for stakeholder groups and concentrating on key aspects of SD by reasonable imple-

mentation of these strategies, we can ensure a long term increase of company's value to stakeholders and achieve sustainable competitive advantage.

## 5. LUBLIN COAL MINE "BOGDANKA" S.A. AS A PRACTICAL EXAMPLE OF THE IMPLEMENTATION OF SUSTAINABLE DEVELOPMENT

Lublin Coal Mine "Bogdanka" S.A. is one of the leading producers of coal in Poland. As a mining company, in its specific activity that significantly interferes with the natural environment and requires close collaboration with local communities, it fits in perfectly with the concept of sustainable development. Lublin Coal Mine "Bogdanka" S.A., in comparison with other producers of coal, stands out with the financial results achieved, the investment policy pursued and highly innovative methods. As the "Mine of Intelligent Solutions" is constantly looking for new ways of innovation. The result of these activities was to gain in 2013, for the tenth time, the title of "Mine of the Year".

Lublin Coal Mine "Bogdanka" S.A. is a mine that communicates with the public using the integrated reporting, taking into account the classical financial information, supplemented by data from the reports of sustainable development. Operating in a socially responsible manner it uses the guidelines of the Global Reporting Initiative (GRI) in its reports. In accordance with the GRI recommendations, the report has been prepared based on the GRI G4 "in accordance" in the basic "core" option used for the companies which start reporting. The report also includes specific indicators for the mining industry which are described in the proper supplement sector to the GRI Guidelines. According to the standard, the company informs about its activities in the environmental, financial and social areas taking into account the information to satisfy all stakeholders with which it maintains close dialogue.

Examined areas and indicators which are used in the report have been included in Table 3.

Table 3. Report areas of “Bogdanka” S.A. and sector – specific indicators

Category	ECONOMIC		ENVIRONMENTAL	
Aspects	<ul style="list-style-type: none"> <li>–Economic performance</li> <li>–Market presence</li> <li>–Indirect economic impacts</li> </ul>		<ul style="list-style-type: none"> <li>–Materials, energy, water</li> <li>–Biodiversity</li> <li>–Emissions</li> <li>–Effluents and Waste</li> <li>–Products and services</li> <li>–Compliance, transport and overall</li> <li>–Supplier environmental assessment</li> <li>–Grievance mechanisms</li> </ul>	
Category	SOCIAL			
Sub-Categories	Workplace	Human Rights	Communities	
Aspects	<ul style="list-style-type: none"> <li>–Employment</li> <li>–Management Relations</li> <li>–Occupational health and safety</li> <li>–Training and education</li> <li>–Diversity and equal opportunity</li> <li>–Supplier assessment</li> </ul>	<ul style="list-style-type: none"> <li>–Investment and procurement practices</li> <li>–Non-discrimination</li> <li>–Freedom of association and collective bargaining</li> <li>–Child labour</li> <li>–Forced and compulsory labour</li> <li>–Grievance mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>–Local communities</li> <li>–Anti-corruption</li> <li>–Compliance</li> <li>–Supplier assessment</li> </ul>	
SECTOR - SPECIFIC INDICATORS				
<ul style="list-style-type: none"> <li>➤ Amount of land rehabilitated</li> <li>➤ Environmentally valuable sites on which operations are conducted</li> <li>➤ Total amounts of waste rock</li> <li>➤ Number of strikes exceeding one week’s duration</li> <li>➤ Compensations for local residents suffering damage because of mining activity</li> <li>➤ Number and description of significant disputes relating to violation of local residents’ interests</li> <li>➤ Grievance mechanisms for local communities</li> <li>➤ Artisanal and smallscale mining (ASM)</li> <li>➤ Resettlements of residents</li> <li>➤ Developed strategies for closure of operations in given area</li> </ul>				

By implementing the principles of sustainable development in the environmental area, the mine focuses on the rational management of natural resources using the special technologies for mining thin seams. In recent years, the mining’s board also made a number of investments in environmental protection. The major ones include the use of mine water treatment systems, the use of efficient mining equipment, implementation of solutions aimed at maximum utilization of waste recovery and the use of precipitators and flue gas desulfurization. The mine’s board also focuses on increasing productivity in both financial and social area where ensuring safety is a key element.

The mine's board has been cooperating with the local community by promoting the development and education of young people, aiming to provide social welfare and limits and, if necessary, compensating residents economic losses resulting from the mining business. These and other measures proving the fact of conducting business in a socially responsible manner resulted in the fact that the Lublin Coal Mine "Bogdanka" S.A. at the beginning of 2010 went to the portfolio of socially responsible companies grouped in the RESPECT Index (Report of "Bogdanka" S.A., 2012-2013). On that note, it is possible to assume that managing business in a sustainable way due to its presence on a stock index would allow the mine to achieve better financial results that can be treated as a funding source for future investments in the area of SD. It seems that in the face of the crisis in Polish mining industry, the sustainable reporting can be a trampoline to restore former value of the mining industry for Polish economy. The recession in the coal market due to the rising production costs, falling coal prices and uncertainty related to strict EU climate policy tend to create an impression of evaluating the mining industry through the prism of costs rather than future investment.

Lublin Coal Mine "Bogdanka" S.A. is conducting business in a sustainable manner that meets all stakeholders' needs and achieves better financial results than companies that do not practice sustainable business. By reporting financial data supplemented with reports of sustainable development in a transparent and clear manner it informs about leading activities in SD area and benefits which are generated for the state, employees, investors, society and numerous strategic partners. In this way, the company builds the value for its stakeholders.

## 6. SUMMARY

Sustainable development is a concept which takes into account the development of appropriate management of interdependence between the economy, environment and society. As a result of the continuous changes in the environment, its implementation becomes a necessity and the need of the modern world. Sustainability considered from the micro perspective refers to the way of doing business in an economically, socially and environmentally acceptable manner. Through the activities carried out in these areas, it helps to shape appropriate relationship with the entities around.

The strategic goal of any business should be creation of values that serves mainly to groups of stakeholders. Synchronization of strategic and operative activities with the tasks proposed by sustainable development is not easy but in the face of ongoing development is a key element that should be included in the strategy of each company. The combination of the effective management system that takes into account the expectations of the entities around and the implementation of the principles of sus-

tainable development in all areas of the company can contribute to a sustainable competitive advantage and thus help to achieve long-term company's value.

Reporting for sustainable development is a natural carrier of information, which is a form of accounting for business enterprises. This system should be directed into reporting in accordance with current standards and guidelines. Integrated reporting for mining becomes of particular significance to companies which relationship with other entities, especially on the local level, should be responsible, positive, and long-lasting.

Given the fact that the mining companies significantly interfere with social and environmental interests, they should focus not only on pursuit of economic benefits from conducting business, which surely should be principal, but also to achieve their objectives taking into account the social and environmental principles.

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