

Mining for the Best Report

Analyzing the metals & minerals sector's reporting quality

Deloitte Touche Tohmatsu evaluated the current status of reporting in the metals & minerals (M&M) industry during the first half of 2002. Analyzing 15 reports from 14 major metals & minerals companies globally covering the spectrum from environment to sustainability, the survey provides a composite of the sector's reporting practices of today. This is Deloitte's second sector study on Sustainability Reporting (where "sustainability" is used to refer to all types of reports e.g. HSE, environment), following a similar survey presented in January 2002 on reporting practices in the automotive industry.

The study was based on the updated **Deloitte Sustainability Reporting Scorecard**. This tool measures sustainability reporting quality and effectiveness with respect to key success drivers. It focuses on relevance and on those principles and characteristics that helps making reporting effective, and reported information credible. In evaluating the results of the analysis in this study, we applied our extensive experience in the international environmental and sustainability reporting field.

Benchmarking reports for improvement

With this study, Deloitte Touche Tohmatsu aims to give metals & minerals companies an overview of the reporting practice in their industry, and to provide helpful guidance for further improvement. The **Deloitte Sustainability Reporting Scorecard** provides valuable information about 30 success drivers in reporting, and based on individual scoring, enables discussion of suggested recommendations for report improvements.

The value of Sustainability Reporting to the metals & minerals industry

Mining and mineral resources are indeed of central importance to economic, societal and environmental developments around the globe. This places a primary responsibility on the metals & minerals industry to develop a vision for sustainable resource extraction and use, and to implement strategies and actions toward improved solutions for material needs and recycling.

Accepting this responsibility includes actively engaging with stakeholders, conducting open dialogue, and exchanging information about commitments, objectives and performance. Such transparency and communication can help create the trust and credibility necessary for the industry's - and more specifically, the companies' - societal "license to operate, innovate and grow"; this, as a result, will help address the evident sustainability challenges.

Sustainability Reporting is an important instrument for this sector, one that can add great value. Not reporting, on the other hand, may inhibit credibility and justify prejudice.

Do metals & minerals companies make the best use of Sustainability Reporting?

A number of high-quality Sustainability Reports, but

Our 2002 survey clearly shows that a number of metals & minerals companies deliver high-quality Sustainability Reports. The reports published demonstrate that Sustainability and Sustainability Reporting are commanding attention and are beginning to influence business direction in this sector.

When preparing this study we noticed that that several prominent metals & minerals companies publish neither a Sustainability, nor an Environmental or other type of report, that could be included in the survey. We found that there was limited information on issues of sustainability on the web sites of a few of these companies, but others did not mention these issues at all.

⇒ Effective communication through readable reports

The M&M Reports evaluated were all nicely presented and highly readable. The Reports evaluated showed that the effectiveness of communication could be further improved by fulfilling all the basic principles and qualitative characteristics of reporting or provide expected context and quick reading options (as defined by the Deloitte Scorecard).

⇒ Differing degree of maturity

While reporting practice is more uniform in other sectors, we have found that reporting quality and degree of maturity differed greatly in the metals & minerals industry. There are significant differences among the leaders and those on the lower end of the 15 reports assessed, and as discussed there are a number of prominent M&M companies who have not yet produced a report. We were not able to find a report for inclusion in the study from four of the nine founding members of the Global Mining Initiative (GMI), as well as from others.

⇒ Creative solutions for eReporting

While all companies included in the survey have some environment, health and safety and/or sustainability information on their website, all but three publish a classical paper report. The companies that did not, however, did provide a downloadable Adobe Acrobat file, which could be printed out by the reader. Making the leap from paper to electronic-only reporting is a difficult one - not only for the report producers, but for the readers themselves - as both parties have to learn to present and interpret information in new ways. Among those trying to make the transition from paper to electronic reporting was WMC. For their 2001 Sustainability Report, WMC distributed their printed 20-page Executive Summary along with a CD-ROM containing their entire Sustainability website, including their past and current comprehensive corporate and site reports.

⇒ Separate Report or Sustainability in the Annual Report?

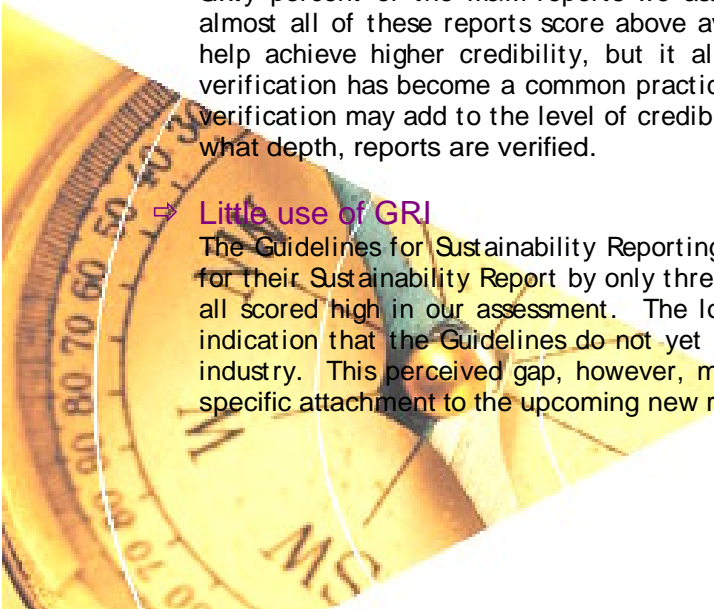
Two companies published Sustainability information in the framework of their Annual Report. On one hand, this certainly conveys the message that sustainability is being integrated into the core of their business, and is the most effective way to reach shareholders and the financial community with the key messages on sustainability. However, our evaluation shows that room made available for the "Sustainability sections" or sustainability pieces of information throughout the report is limited, and these Annual Reports can hardly fulfill expectations and the requirements of best reporting practice. To evolve this type of reporting, a stronger integration between the printed information in the Annual Report and the information provided on the website is needed.

⇒ Can verification help produce better reports?

Sixty percent of the M&M reports we assessed are verified by independent third party verifiers, and almost all of these reports score above average. Detailed results show that verification does not only help achieve higher credibility, but it also goes in line with improved reporting quality overall. As verification has become a common practice among report producers, enhancing the scope and depth of verification may add to the level of credibility as report readers come to understand in what way, and to what depth, reports are verified.

⇒ Little use of GRI

The Guidelines for Sustainability Reporting of the Global Reporting Initiative (GRI) were used as a basis for their Sustainability Report by only three of the 14 companies whose reports we analyzed; these three all scored high in our assessment. The low rate of GRI adoption by the surveyed reports might be an indication that the Guidelines do not yet match with the reporting needs and expectations of the M&M industry. This perceived gap, however, might be filled with the inclusion of a Mining & Mineral sector-specific attachment to the upcoming new release of the GRI Guidelines.



Strengths

Demonstrated commitments of top management

The Reports demonstrate well, the M&M companies' top management commitment to sustainable development and to environmental and social improvements. Many ambitious targets and action plans are in place, and the reports highlight numerous achievements that the companies feel are making a real difference to those affected.

Experience in reporting on community involvement

A number of metals & minerals companies have acquired significant reporting experience over the last several years, particularly in health, safety and environmental issues. Some have expanded their HSE reports, early on, to include issues of community involvement. Others have started publishing separate community-focused reports.

Reports with a good balance of issues

M&M companies are able to achieve improved credibility and can increase their acceptance by reporting about failures and disappointments alongside their successes. All but one of the reports assessed receive a score of average or above for that particular criterion.

A most valuable sector benchmark

Metals & minerals companies, in the course of developing their next Sustainability Report, might be keen to see the reporting practices of their sector, where strengths and weaknesses are located, and how they are positioned against the leaders and compared to the sector average. They are likely also looking for further improvement opportunities and best practices.

We believe that a sector benchmark, such as that shown in the two **Summary and Scorecard Charts** below for the M&M industry, provides valuable information and can help reporting companies further improve their reporting practices.

Weaknesses

Financial implications not demonstrated

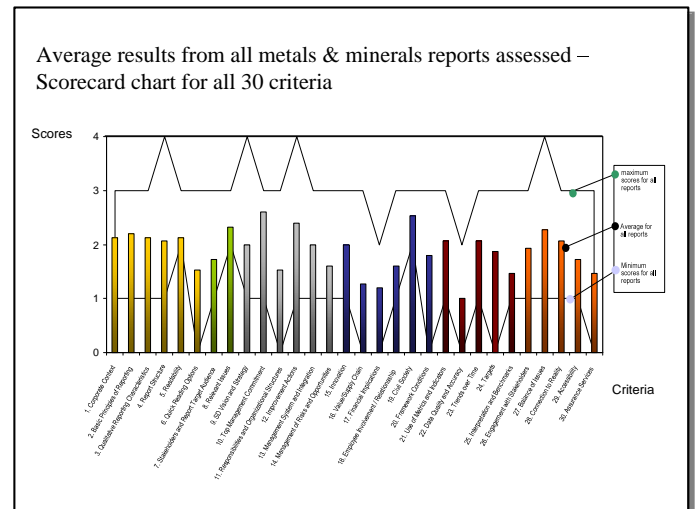
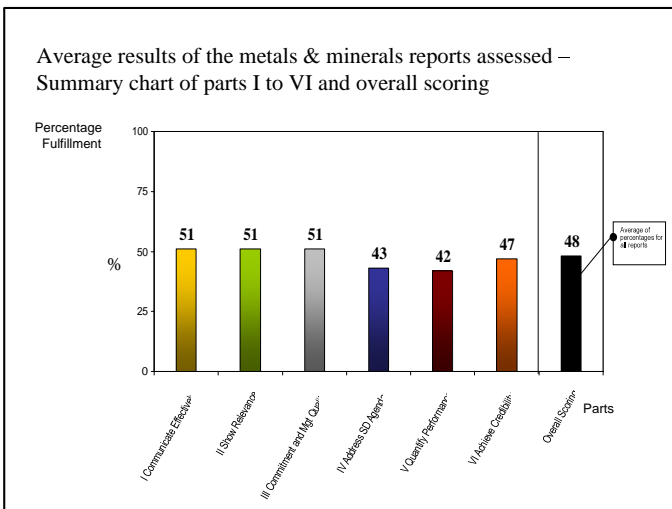
There is limited discussion of matters - both risks and opportunities - that have or could have a bearing on the organization's short- or long-term financial performance, as well as an impact on the wider economy. Two-thirds of the reports scored low in the area of description of financial implications of sustainability.

Unknown data quality and lack of comparability

Quantifying performance is, on average, the weakest part in the sector's scoring. 85% of the reports evaluated show a low scoring on data quality and accuracy, and 65% score low on interpretation and benchmarks. Working towards sector standards on how to measure and report would certainly improve comparison and benchmarking with peers and therewith support decision-making.

Little on Life Cycle Responsibility

The reports show rather little on value/ supply chain issues and engagement with stakeholders downstreams in their value chain (and also upstreams for non-mining companies). Given some of the industry's products, report readers might like to see greater acknowledgement of product responsibility along the value chain, particularly downstream.



Recommendations on some emerging questions

What are the relevant issues?

Mining & Mineral companies in the survey discussed many relevant issues such as land reclamation and what is being done to support workers against threatening socio-economic and health epidemics, e.g. illiteracy and AIDS. However, the Reports did not capture how the resource extraction industry was to become sustainable overall. It was this lack of ownership of the “bigger picture” impacts that kept the scores in this area at an average level. The identification of relevant sustainability issues at the local, company, industry, and global levels is an important discussion to have with stakeholders, and reports should reflect the discussions on these issues that already occur in forums such as the Global Mining Initiative.

Think along the entire value chain?

Similarly, the survey Reports for the most part limited their dialogue to actions within the “fence line”. Consequently, the M&M companies’ place within the resource sector value chain was not reviewed. Few companies reported on the sphere of influence their company could have both upstream and downstream - from the extraction or process applied by suppliers to the final disposal or revalorization. Through exclusion of this discussion, several companies left the reader to make their own determinations about how - or if - the companies manage to include sustainability as part of their relationship and co-operation with distributors and customers on one side, and with suppliers and contractors on the other.

Need for sectoral standards on Accountability and Reporting

Through endeavours such as the Global Mining Initiative (GMI) and their Mining, Minerals and Sustainable Development (MMSD) Analysis project, leading M&M companies are looking at what sustainability issues the industry faces and what actions can and must be taken. A consistent theme through both the GMI and MMSD is transparency and open communications with all parties. An important next phase in the development of this theme will be the development, acceptance and use of accountability standards through public performance reporting. Sectoral standards will enhance the quality and applicability of information released to the public, while raising the visibility and importance of sustainability issues.

How well do the reports build trust and credibility?

Trust and credibility are cornerstones of the M&M industry. Whereas other industries have choices with respect to their locations, M&M companies do not. Therefore, transparency and credibility are often linked to access to resources. IN general, reports could be improved with respect to telling a credible story with a “red thread”, from identifying the relevant issues all the way to concrete actions for change, quantified targets, and achieved performance. Additional, essential means to achieve more credibility include assuring that the information presented in the report is realistic, complete and balanced, and that the information presented and reporting procedures used are verified. M&M companies should continue engaging with their stakeholders and demonstrating their commitment to accountability and honest and transparent communication. One way companies may immediately improve is to publish relevant parts of their Report in the key languages of their stakeholders, namely employees and local operating communities.

Scope of the survey

This reporting study includes the latest reports published in 2000 and 2001 from 14 metals and minerals companies (see box). In one case, the reports of two subsequent reporting periods were evaluated.

Deloitte Touche Tohmatsu will continue to analyze sustainability reports with a view to develop a growing database on the quality of sustainability reports, and to compare enterprises’ reporting practices with the multi-stakeholder debate on accountability and sustainability reporting.

Alcoa	Environment, Health & Safety 2000 Annual Report
Anglo American	Safety Health and Environment Report 2000
BHP Billiton	Global Responsibility: HSE & Community Report 2001
DeBeers	Safety, Health & Environment Review 2000
Falconbridge	2000 Sustainable Development Report
Hillside Aluminum	Environment, Social & Economic Report 2001
Lonmin	HSE Report 2000
Noranda	Sustainable Development Report 2000
Normandy	Safety & Health, Environment, Community Report 2000
Norsk Hydro	Annual Report 2001
Richards Bay	2000 Social and Environment Reports
Rio Tinto	2000 Social and Environment Review
Sasol	Safety Health and Environment Report 2000
WMC	Community – Environment Report 2000 and Sustainability Report 2001