VERIFIABILITY AND TRUTH: CORPORATE SOCIAL REPORTING IN MINING IN CHINA

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Abstract

This research is to investigate 2011 corporate social reporting (CSR) of the mining companies listed on the Shanghai index. The research question is following: "Is the CSR of the mining companies verifiable and is what they report possibly untrue?". The study analysed 17 companies (out of 33 mining companies listed on the Shanghai index) that produced corporate social reports in 2011. The reports were analysed as to activities highlighted are symbolic or substantive. Such activities were then cross-analysed as to their being positive or negative. Of the 17 companies only two reports were audited and thus by determined as being verified. The finding is that most of the companies reported on symbolic positive activities (possibly true but without substance) and a few companies reported on substantive positive activities (truths). However, these truths result from resolving issues that these companies have themselves created. Only one companies disclosed substantive negative activities that resulted in serious financial penalty and imprisonment for the management whereas most of the others did not disclose any negative. The mining sector is chosen for analysis as it represents one of the older and dirtier industries in China. The paper builds on the scepticism contained in the CSR literature.

Keywords: Triple Bottom Line, Corporate Social Reporting, Mining Sector, Legitimacy Theory

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1 Introduction

The purpose of this paper is to assess the extent of CSR[1] among listed Chinese mining companies. It is an important issue because although many Chinese corporations publish social reports, there is some suspicion that, in the case of carbon emissions, much of what is reported is not verified and may be untrue (The Economists, 2012). Although the article refers specifically to carbon emissions, the allegation may be extended to other areas of CSR. In other words, it may be that strategies of legitimisation triumph over reality. China is the world's largest industrial producer and arguably CSR is nowhere more important than in China. Omit China from CSR and any global conclusions as to global progress on CSR are potentially flawed. The paper is motivated to further explore the claim made in the Economist article that much of what is reported is not verified and possibly untrue. For this purpose, the mining sector of the Shanghai index has been selected; however, of the 33 companies listed only 17 of them specifically produce corporate social reports in 2011. Moore (2010) while acknowledging China's mine safety has improved from 7000 death in 2002 to 2,600 in 2009, he considers that Chinese mines are the most dangerous in the world. Also, for the purposes of the paper it is what is reported that is of interest – not why the non-reporting companies are deficient in this respect. To find out what is reported, a content analysis of the 17 reports is undertaken. The question being asked of what is reported by Chinese mining companies is: to what extent is it verified and to what extent is true or untrue?

According to the Chinese Stock Regulation Committee's (CSRC) categories for listed companies, there are 939 listed companies (excluding the companies that have already exited the market) on the Shanghai Stock Market in 2011. Listed companies are categorised based on their sales revenue in their consolidated audited financial accounts. For instance, if a company derives over 50 per cent of its revenue from a particular category, such as mining, where there are only 33 companies listed, then the company

[1] Corporate Social Reporting

will be categorized into the mining section of the listings.

The mining sector is chosen on the basis that this sector is older and possibly more hazardous, and is possibly more likely, therefore, to have an environmental and social impact. For this reason it is likely that mining companies, even in a non-democratic country will seek to legitimise their activities largely because the government, while not imposing regulation is increasing issuing statements about its concern for the environment.

The structure of the paper is, first, a background outline of the literature, and second, a legitimacy theorisation. The research method will be discussed next, fourth, finding and finally a discussion and conclusion.

2 The literature

One of the arguments used by previous studies is that if companies' disclosure policies are reactive to major social and environmental events, then there should be correspondence between peaks of disclosure and events which are significant (Guthrie & Parker, 1989). L'Etang (1996) argues that corporates place more emphasis on environmental rather than social responsibility and are only reactive to the latter when compelled to do so by external pressures. Scepticism as to CSR being no more than a communication driven strategy has led some researchers (Athanasiou, 1996; Beder, 2000) to use the term "greenwashing" to signify that corporations manipulate an image of environmental, social and cultural responsiveness. Bakan (2004, p. 1) adds, "Corporate social responsibility is impossible except so far as it is insincere". Boff (2003) goes further declaring that social reports are no more than a magic formula with which the world system of production pretends to solve the problems that it itself has created. In this respect, it can be argued that many of the positive statements made by Chinese mining companies such as an improving death and injury rate per million tonnes of coal or the re-establishment of local villages because of land subsidence may be seen as self-serving solutions. Munshi and Kurian (2005) claim that CSR rests on a platform of insincerity: "Green claims are no more that PR-induced "corporate-speak" as corporations exist to make money and enhance profits". However, more charitably, as Plantinga (2011) argues, most of what passes for knowledge is founded on belief and our beliefs can be selective so as to assume appropriate behaviour.

Pomering and Johnson (2009) while acknowledging the considerable scepticism of other authors and the more critical stakeholders towards CSR, argue that firms like The Body Shop, which can communicate their performance effectively, are able to influence public thinking and gain legitimacy so that "consumers are willing to get behind corporations that do good" (p. 433). That there is increased profitability in social reporting, whether insincere or not, is attested to by many authors. Oeyono et al (2011)found from their survey of 48 Indonesian listed corporations that there exists a positive relationship between social reporting and profitability. They conclude, "Therefore, it can be argued that reporting social responsibility activities is beneficial for corporations in emerging economies such as Indonesia" (p. 100). Less positively, Pava and Krausz (1997) find that not all CSR satisfy the cost-benefit criterion. However, because the relationship between CSR and financial performance is important, Pava and Krausz (1997) point out, that managers must attempt to justify social reporting by explicitly linking them to positive financial performance. The same point is made by Nijhof and Jeurissen (2010) who point out that a bankrupt company is no good to anyone, so managers must prioritise the business case. However, Nijhof and Jeurissen (2010) further refer to the "commodification" of social disclosures that comes at the price of possibly weakening the sense of social reporting. Such commodification means CSR has evolved into a marketable asset making it attractive to business.

On the other hand, even if there may be no financial value in a reputation for social reporting, Schnietz and Epstein (2005) found that it does provide a reservoir of goodwill in times of financial crisis. In their study, they found that in industries allegedly environmentally damaging and labour abusing (arguably old industries like mining), firms without a reputation for social reporting experienced a 3 percent decline in shareholder value, while firms that were seen as socially reporting suffered no such stock price decline. Robins (2005) concedes that CSR add legitimacy but warns against attempts by social reporting enthusiasts to burden business with compulsory standards as such legislation would invite "negative social outcomes including corruption and economic inefficiency" (p. 112). Finally, only Vaaland and Heide (2008) come close to evaluating CSR following the method adopted in this paper. Their study of the Statoil Horton case concludes that oil companies should be, in terms of this paper, more symbolic and negative. In other words, claims to make a difference by promises to construct better safeguards against oil spills (symbolic negative), and a willingness to admit current shortcomings (negative) would be more welcome than positive claims, whether symbolic or substantive, that tell only one side of the story.

Oeyono, Samy, and Bampton (2011) surveyed the top 48 Indonesian listed corporations based on the Global Reporting Initiatives (GRI) guidelines to investigate the relationship between CSR and profitability. They found that five of the 48 companies fulfilled all six of the GRI indicators, 16 out of 48 fulfilled only four indicators, 12 fulfilled three indicators and 10 met five of the indicators. The core indicators are: economic, environmental, labour practice and decent work, human rights, society, and product responsibility (GRI, 2011). By contrast, the research conducted in this paper collapses the six indicators into just three main bands by encompassing human rights, society and product responsibility into the social band. Rundle-Thiele, Ball, and Gillespie (2008) point out in their survey of CSR performance of Australian alcohol marketers that research efforts have largely centred upon defining CSR. There are those that: distinguish between the various types of CSR analysis (Bhattacharya & Sen, 2004; Kotler & Lee, 2005), identify the positive impact of CSR initiatives (Lafferty & Goldsmith, 2005; Licthenstein, Drumwright, & Braig, 2004; Sen, Bhattacharya, & Korshun, 2006) and some that debate the nature and scope of CSR. From the literature, practices that can be considered as socially reporting may be identified and companies can even be given CSR ratings (RepuTex, 2012). However, rather than adding a search for a relationship between CSR and profitability (Oeyono et al., 2011), or seek an assessment of consumer awareness to CSR (Rundle-Thiele et al., 2008), or identify a positive impact from CSR, this paper assesses the extent to which the CSR among mining companies in China is verifiable and to the extent that the "corporate speak" is more than "greenwashing".

3 Legitimacy Theory: An Overview

This paper employs legitimacy theory as a mechanism for understanding the motives for CSR. From the literature discussed above, it emerges that some scepticism is advanced as to "corporate speak" but the degree of sincerity within "corporate speak" is difficult to assess. Churchland (2011) argues that, "We behave in certain ways to promote survival", and goes on to add that our behaviour is reasonably adaptive to circumstances but it does not guarantee true beliefs. Natural selection is not interested in truth but appropriate behaviour. For social animals, appropriate behaviour is directed to acquire legitimacy within the group – in other words by forging a social contract we gain a licence for our activities.

Legitimacy theory with regard to organisational legitimacy is defined by Lindblom (1994)as: "…a condition or a status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy". (p. 2)

This definition views organisations as being part of a larger social environment (Gray, Kouhy, & Lavers, 1995). Within this larger social environment, it is held that a social contract exists between a company and the public at large, not just merely its shareholders (Guthrie, Petty, Yongvanich, & Ricceri, 2004). While in the past a company's profit was viewed as an all-inclusive measure of legitimacy, for some time there has been a movement away from this (Patten, 1992). Companies are now being bequeathed with "legitimacy" based on their ability to operate within the bounds imposed by society in order to enjoy continue access to product and resource markets (Campbell, Craven, & Shrives, 2003).

Deegan and Rankin (1996) state that a breach of the social contract i.e. failure to comply with social expectations may lead to a revocation of the contract, which means the company then risks sanctions being imposed by the society. For example, a company could lose the power to own and to use natural resources or lose the power to hire more employees. In a non-democratic country such as China, the risk of losing the licence to operate is always a possibility. Regardless whether the strategy is to educate the public or to communicate the changes that have been made, one of the means to implement each of the above strategies is to use the public disclosure of information which is often achieved through the medium of company's reports (Guthrie, Petty, & Ricceri, 2006). De Villiers and Van Staden (2006) further assert that if the company does not communicate or disclose the changes it has made particularly to the legitimacy- conferring stakeholders groups, the company can still face legitimacy threat. The concept of legitimacy-conferring stakeholders group was first introduced by O'Donovan (2002) referring to the stakeholders that are important enough to influence the company directly or via the influence on the perception of the general public regarding the companies.

This leads to an apparent link between accounting research and legitimacy theory that revolves around the annual report and related disclosures (Tilling & Tilt, 2010). A number of prior studies in the environment have embraced this view on legitimacy theory to examine voluntary annual report disclosures as a method that companies used to respond to the pressure resulted from the social contract (Deegan & Rankin, 1996; Guthrie & Parker, 1989, 1990). However, the way legitimacy theory is generally used appears to put more focus on the notion that legitimacy is a reactive approach (see examples for Deegan, Rankin, & Voght, 2000; Islam & Islam, 2011). Deegan et al (2000), for example, provide evidence on how companies legitimised their operation through the change of their disclosure policies around the time of major company and industry-related social events.

The above arguments may be enough to strengthen the link between CSR and legitimacy theory as a social contract, a core ingredient for legitimacy theory, that has not or probably cannot be explicitly established. However, the term social contract cannot be known with any precision and different managers will have different perceptions about those various terms (O'Donovan, 2002). In many countries including China, environmental reporting is still at voluntary stage which means there is no legal requirement to provide the explicit information. Environmental reporting therefore, at least at present, can only be considered as part of non-legislated societal expectations that embody the implicit terms of the contract (Gray et al., 1995). Or as Churchland (2011) puts it in the context of natural behaviour, the social driver is not truth but appropriate behaviour.

Archel, Hussilos, and Spence (2009) propose a way to expand the explanatory power of legitimacy theory by explicitly considering the role that the government plays in the context of CSR disclosures. As government policies are meant to protect the general wellbeing of the public, "corporations are expected to initiate, participate in, and respond to changes in public policy" (Preston & Post, 1975, p. 3). Therefore, within the context of this research, the role of the Chinese government in supporting the concept of environmental reporting can be seen as crucial in terms of a contract between companies and the society. While the involvement of government may not necessarily represent a mandated law, the key to an implied social contract argued by Abeysekera (2008), is that the direct involvement of government in promoting private sector CSR is enough to imply the social contract between the companies and the society (represented by the government). In particular, in a communist country the government's announcements are followed with interest by businesses as licensing, bank finance and taxation are all dependant to some extent on government goodwill. Thus, in this respect, the Chinese mining companies CSR can be seen as a vehicle to demonstrate appropriate behaviour.

One way to analyse further legitimacy theory is to consider what Suchman (1995)defines as the three elements of legitimacy: pragmatic, moral and cognitive. Pragmatic legitimacy rests on the self-interested calculations of an organisation's most immediate audiences according to Suchman(1995). Aldrich & Fiol (1994) point out that for self-interested reasons organisations may emphasis their image and legitimise such an image by advertising. Moreover, image advertising may foster generalised attributions of good disposition. In this case, for pragmatic reasons mining companies may see their CSR as image enhancing and, accordingly, select the content to convey the image of appropriate behaviour. Whether such calculations are driven strategically or institutionally as a result of cultural expectations is not resolved but what is motivating is a desire to build and maintain a reputation for competence and reliability. When pragmatic strategies of legitimacy are preferred it follows that reporting by companies will be designed to appeal to consequentialist values and beliefs. Pragmatic legitimacy relies on audience self-interest that it the right organisation for the job, whereas moral and cognitive legitimacy do not Suchman (1995).

By contrast, moral legitimacy is harder to achieve. Ashfort & Gibbs (1990)conclude that for organisations their best hope is to accumulate a record of technical success. They observe that within the contemporary rationalist order, technical performance not only establishes consequential legitimacy but it also exerts spill-over effects on moral dynamics to provide a lasting validation for procedures, and structures (Suchman & Eyre, 1992). For companies the normative dimension may be to seek from others approval for their actions, in the sense of doing what others think they should do; such as improving their social and environmental care.

Suchmann (1995) argues that to further cognitive legitimacy, gatekeepers may be employed to grant certification to label institutions and grant preferred definitions to provide them with certified recognition. In this respect the Chinese government gatekeepers have the power to grant or withhold mining licences. Finally, while pragmatic and moral legitimacy can be arrived at by cost-benefit appraisals or ethical judgements by way of public discussion cognitive legitimacy implies unspoken assumptions as to industrial legitimacy.

These observations as to pragmatic, moral and cognitive elements derived from the literature can better explain "truth" from the point of view of legitimacy. This is not to say that any one element of legitimacy is necessarily sufficient but rather that all three – pragmatic, moral and cognitive – may be combined to varying degrees.

This section illustrates the usage of legitimacy theory as the theoretical framework for this present research. The theory and literature strengthens this research by introducing the existence of "greenwashing" legitimacy. It is expected that companies like those in the mining sector that rely more on unrecognised environmental assets and unrecognised liabilities (such as land and tailings) and that they are also government linked (as most mining companies in China are), and in a non-democratic country the Government may be the source of cognitive legitimisation. Thus, the need to be seen as legitimate provides an impetus for CSR. The next section will provide a discussion on the results of this analysis.

4 Method

Plantinga (2011) observes with reference to verifiability and falsifiability that, it is difficult to say precisely what testability is, or how we should think about it. In this case, verifiability is determined on the grounds that independently audited statements are verified. Truth or untruth is more difficult to determine as there is a range between truth and untruth of possible true or possibly untrue. This may be, as Plantinga (2011) points out, that our beliefs about external objects, or the past, or the mental states of others are formed in a basic way from a set of circumstances giving an appearance that leads to a belief. It is not the result of argument with a set of premises leading to a conclusion based on deductive on inductive reasoning. However, even if what is true rests more on appearance than fact, such as in this case: a picture of smiling villagers happy in the new village that the mining company has provided, such truths may still be selective. Bearing this in mind, the method followed is of documentary content analysis.

Content analysis involves reading all the population of 17 reports, which were also the sample texts. The unit of analysis was the paragraph, which is less replicable than word counting but better able to capture meaning. The three major themes were identified by highlighting in different colours, for example: blue for economics, yellow for social, and green for environmental, those paragraphs which refer to one of the three selected bands of CSR topic. Sub-themes were identified by side notes as to whether the statement is symbolic (possibly true but without substance) or substantive (true). Each "possibly true" or "true" statement is further analysed as either being negative (an admittance of a problem due to the effects of mining) or being positive (a claim to benefit to the community arising from the activity of mining. The translation into English was done by the authors.

As shown in Table 1 below, the method is to divide CSR into three broad bands of the triple bottom line: economic, social and environmental. Economic responsibilities include any statement promoting growth in business; charitable donations; research benefits; financial performance; market presence; establishment of professional associations; hiring more from local community; flow of capital among different stakeholders. Social responsibilities include any claims for benefits to the community and political groups; benefits to employees such as welfare, training, career retention, health and safety; product and service safety as well as customer satisfaction. Environment responsibilities include claims regarding recycling; water consumption; amount of waste for landfill; emissions of power, and water; and damage to land (GRI, 2011; Slaper & Hall, 2011).

Each type of responsibility is further analysed into positive and negative claims. The positive claims are key achievements of the companies in their social reporting. The negative claims are shortcomings or problems that the companies admit. The symbolic (possibly true) statements are likely to be promises of action while the substantive statements generally refer to actions taken or problems resolved or improvements made resulting from problematic issues that often these extractive companies have themselves created. If they claim to have taken actions to tackle existing problems, they will be analysed as substantive, but if they only admit to problems without any action, then they will be analysed as symbolic.

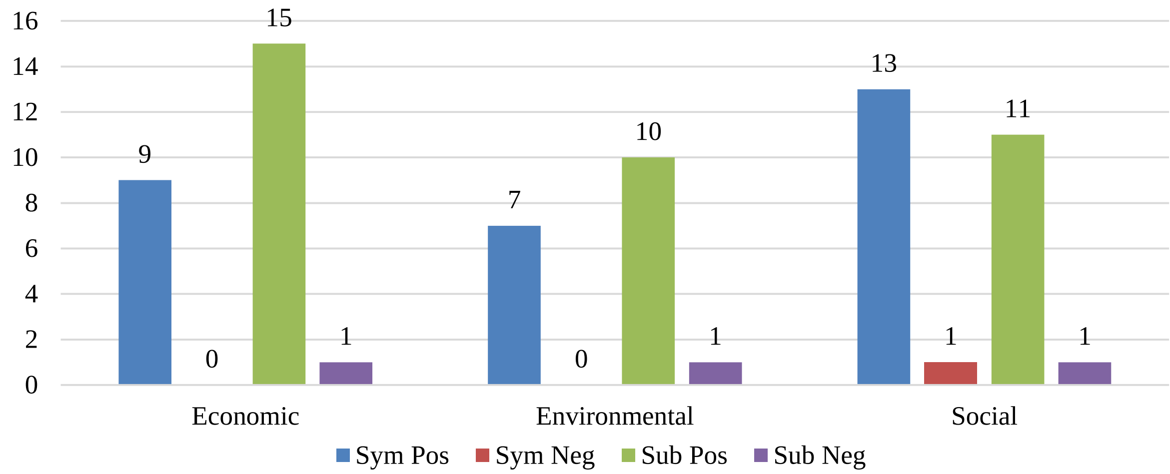
Table 1. Triple bottom line matrix

Type of responsibilities	Economics		Environmental		Social	
Legitimacy	**Positives**	**Negatives**	**Positives**	**Negatives**	**Positives**	**Negatives**
Symbolic	Sym Pos	Sym Neg	Sym Pos	Sym Neg	Sym Pos	Sym Neg
Substantive	Sub Pos	Sub Neg	Sub Pos	Sub Neg	Sub Pos	Sub Neg

5 Findings

The 17 listed companies in the mining sector (10 coal mines, 4 oil refineries, and 3 metal mines) that did produce social reports in 2011 were organised within a matrix to show the overall pattern of their reports. All the companies claimed some positive benefits from mining in respect of, economic activity, environmental care, or social improvements according to the three categories adopted in this analysis. An overall summary of the findings is presented in Figure 1 below. Under the economic aspect, there are 9 companies reported symbolic positive statement, whereas none of the 17 companies reported any symbolic negative statement. 15 out of the 17 companies produced substantive positive statement and 1 company produced substantive negative statement. Reporting on the environmental aspect is not as much as that on the economic dimension. 7 out of 17 companies reported symbolic positive statement but none reported on symbolic negative perspective. 10 of the 17 companies produced statements on substantive positive perspective and 1 company reported substantive negative statement. In terms of the social dimension, 13 companies reported symbolic positive statement. Out of the 17 companies, 1 company reported symbolic negative statement. 11 out of 17 companies produced substantive positive statement whereas 1 produced substantive negative statement.

Figure 1. Summary of 2011 CSR of the mining sector in China
(Companies' report on each type of responsibilities)



5.1 Economic Bottom Line

As illustrated in Table 2 below, under the symbolic economic category six companies claimed positive economic performance; three companies cited policies of hiring from local community; three companies cited technological improvements and research benefits; one company claimed charitable donations. With respect to substantive improvements implemented there were: thirteen companies claimed charitable donations; nine companies cited technological improvements and research benefits; six emphasised on energy supply whereas two identified good economic performance and one mentioned about industry involvement.

Table 2. Summary of economic bottom line

	Symbolic Positive	Symbolic Negative	Substantive Positive	Substantive Negative
Economic performance	6	0	2	0
Hire from local community	3	0	0	0
Technology and research benefits	3	0	9	0
Charitable donations	1	0	13	0
Energy supply	0	0	6	0
Industry involvement	0	0	1	0
Shareholders visited accident site	0	0	0	1

In summary, the reports disclose more substantive than symbolic benefits with most supplying detailed information about charitable donations as well as technology and research benefits as exemplified from two reports shown below. The first example is a symbolic positive claim made by China National Offshore Oil Corporate on charitable donations. Such a vague claim is the only symbolic positive statement made in charitable activities among the 17 reports as most of the others made very substantive description on how much they have donated and in what areas.

"The company sees the importance of charitable activities, carefully implements its corporate social responsibilities. The company has done a number of charitable activities including supporting people in poverty, supporting students, donating to natural disaster, planting and so forth". (A symbolic positive claim from China National Offshore Oil Corporation 2011 social report p.5)

From reading the seventeen social reports, it becomes apparent, especially with regard to the positive symbolic statements, that the companies are copying each other with almost identical format and similar statements. Such use of a standardised format seems to be widely practised in China and from a critical perspective lends itself to an assessment of superficiality.

The second example under economic category is a substantive positive claim made by Shenhua Group Corporate regarding the outcome of innovative technology. This is one typical example of the 9 substantive positive statements in technology and research benefits.

"In 2011, the company had received authorisation of 270 patents, including 33 patents developed by the research team of the company. From 2008 to 2011, the company has had authorisation of 506 patents." (A substantive positive claim from Shenhua Group Corporate Ltd 2011 social report p.62)

Only one company admitted an economic substantive negative impact from mining metals in respect of damage resulting from a major site accident impacting on the financial bottom line. The report disclosed that shareholders were invited to the site to see the new safety standards put in place. The report was accompanied by pictures showing people happily swimming in the once polluted river and a man holding a large fish. Such pictures can be interpreted as legitimising the company's activities by making them seem benign. The statement below is arguably, reflects again a strategy of legitimisation designed to show the company in a positive light.

"To enhance the relationship with shareholders, Zi Jin Group organised a road show and invited local and overseas investors to visit the Zijin Mountain Gold and Copper mining site where the "3 July" accident happened as well as inspected the water quality of surrounding Ting River". (Zi Jin Group social report 2011 p.10).

5.2 Environmental Bottom Line

As shown in Table 3 below, under the environmental heading there were slightly more substantive positive claims than symbolic. Ten companies implemented substantive improvements to energy saving, waste reduction and recycling, and emissions. The popularity of these three items has in common are a likelihood of appealing to stakeholders more generally concerned with environment and for pragmatic reasons of cost savings. The other six items listed on the table above have in common that they are much more localised in their appeal as the beneficiaries are the people living nearby. These people represent a community interest but not a financial interest for the companies.

Table 3. Summary of environmental bottom line

	Symbolic Positive	Symbolic Negative	Substantive Positive	Substantive Negative
Energy saving	5	0	10	0
Waste reduction and recycling	6	0	10	0
Emissions	6	0	10	0
Green supplier	1	0	0	0
Handling of oil spill	1	0	0	0
Restoring farmland	0	0	3	0
Relocation of villages	0	0	3	0
Planting on mining site	0	0	1	0
Mining accident's damage	0	0	0	1

Three companies claimed successful village relocations due to damaged farmland and one company cited planting on its mining site. The village relocations may seem a rather self-defeating claim of positive change resulting from mining but there it is and for the purpose of the analysis must be treated as positive. The symbolic positive intentions amounted to seven companies identifying possible energy and waste emission improvements. One company mentioned their policies of selecting green suppliers even though there were no substantive details provided. There were no symbolic negative disclosures, which would indicate a general satisfaction with the way these companies conduct their extractive activities as none of them disclose problems or shortcomings. One substantive negative disclosure is identified in respect of the Zijin Group metal mining company mentioned under the economic bottom line, which refers to damage to the environment because of the "7.3" major plant accident.

"In 3 July 2010, accident on the Zijin Mountain Copper Mining site caused environmental damage. By the end of 2010, the company has completed following tasks: fixing up the pool for melting copper, enhancement of the Xin Wu Xia and Zi Jin Lake embankment, clean up the pollution on Da Dong Bei Wei mining site, clean up waste and spliting polluted water from clean water and so forth. Assessment and appraisal of the environmental damage and mining site safety is still going on, and the company claims that all the cleaning up and fixing up will be done by the mid of 2012." (Zi Jin Group social report 2011 p.18).

With regard to this major plant accident, there have been lots of negative media reports. First, Zi Jin Group did not report the accident to the public until nine days after it happened. This resulted in substantial financial loss for the minority shareholders. These minority shareholders did not know what happened until Zi Jin Group's stock, listed on the Chinese A and H stock market, was suspended for trading for one day. Later on, news about this major accident was released but it was too late for those minority shareholders to sell the stock because the stock price had fallen dramatically (Sina China, 2010). The China Securities Regulatory Commission (CSRC) imposed penalties on Zi Jin Group for its late disclosure of critical information which could significantly affect the stock price according to Article 67 and 193 of China Securities Law. The Group was required to pay a fine of equivalent 60,000NZD. The Chairman of the Board of the Group, Mr. Jinghe Chen, and each of the five Executive board members were given warnings as well as financial penalties of equivalent 20,000 NZD and 10,000 NZD respectively. The Fujian provincial environment protection department imposed a fine of equivalent 2 million NZD on Zi Jin Group on 26 September 2010. In addition, the court also reached a decision of financial penalties of equivalent 6 million NZD and put five responsible people in prison for 3 years to 6 months (People.com.cn, 2012). Unfortunately, another accident happened in September 2010 in Guangdong province which caused deaths. This is further discussed in social aspect.

The Group was criticised widely and seriously by the public and government because of the accidents. In the 2010 social report, the CEO officially apologised to the public about the damage caused by the accidents on the first page of the report. In the 2011 social report studied in this research, these accidents and the effort made by the Group so far were reported and analysed in this paper as a substantial negative. Apparently the Group tried hard to improve its image and public reputation by being transparent in the social report. Some Chinese bloggers commented on the Group's social report and saying Zi Jin Group was much better than those listed companies who do not report negatives in their social reports.

"At least, Zi Jin Group was transparent about the accidents and the problems they have caused. They apologised and paid for the fines. They are committed to improvements. We feel the Group is more responsible and trustworthy than those companies that also produce very general and vague social reports". (CYOL.net, 2011).

5.3 Social Bottom Line

The social disclosures were fairly equally symbolic and substantive as illustrated in Table 4 below. Under positive symbolic, eight companies mentioned their on-going concern for labour practices including employee heath, career development, trainings and so forth. Customer satisfaction is generally reported and maybe described as fulfilling the pragmatic legitimacy requirement as such reporting is in the self-interest of the financial stakeholders. To certain extent, the labour practices also fulfil the pragmatic legitimacy requirement as it is within the area of financial self-interest to improve labour relations as well as satisfying the government goal of a harmonised society. Safety concerns combine the elements of pragmatic corporate self-interest together with satisfying the government's licensing standards. The latter being important because when there are accidents involving death, subsequent enquiries put pressure on local government officials to share the blame. It is of interest to note that Chinese bloggers have observed from various minor accident reports that the deaths reported never exceed thirty-seven. The explanation given on the Internet is that there is a classified government document requiring for deaths above thirty-seven the local government official will be removed (Global Times, 2012). Chinese government reported 37 deaths in the recent Beijing Floods (Ramzy, 2012). Another earlier coal mine accident caused a reported death of 37 in 2010 (Moore, 2010). The death-toll reported in Beijing Floods raised serious doubts on the credibility of the Chinese government. As the novelist Xu Kaizhen wrote on the Chinese Blog Sina: "Why are we always playing games with statistics? Announcing the correct death toll is responsible and moral" (Ramzy, 2012). Dikotter, a professor from the University of Hong Kong comments:

Communist states scrutinize any reports of death – suicide, accident, starvation – because those stand as statements of the political health of the regime as a whole…when it comes to unnatural 'natural' death – flooding or earthquakes – these numbers are extremely sensitive and therefore unreliable. (Ramzy, 2012).

Table 4. Summary of social bottom line

	Symbolic Positive	Symbolic Negative	Substantive Positive	Substantive Negative
Labor practices	8	0	9	0
Customer satisfaction	8	0	4	0
Safety	5	1	9	1
Corruption	2	0	2	0
Improve living standards in local villages	0	0	2	0

Eight companies referred to improvements to customer satisfaction and five to improving employee safety. Another two companies announced policies on minimising corruption. With regard to social symbolic negatives, only an oil refining company admitted an intention to improve safety standards.

"In 2011, there were six accidents reported in Sinopec, which is reduced by 1 accident comparing with the number of accidents reported in 2010. One employee died in accident and this death number is the same as in 2010". (Sinopec Group 2011 social report p.19).

Sinopec Group admitted the number of accidents and employee death; however, the report emphasises more on highlighting the reduction in death rate rather than any action taken to deal with the accidents and death.

With regard to substantive social changes implemented: Nine companies announced labour practices; nine to improving safety; four companies endeavour to improve customer satisfaction; two had good practices of minimising corruption; and two companies implemented improvements to living standards in local villages. Out of the nine companies who provide substantial information on safety, two provide a comparison of their death rate in accidents to the national average. Comparing to 2011 national average of 0.564 deaths per million tonnes of coal produced, Shenhua Group Corporate Ltd announces 0.0196, whereas Lu'An Group claims zero deaths. Interesting to note that both companies have their reports audited by KPMG and BDO China Shu Lun Pan Certified Public Accountants LLP respectively. Auditors may have much higher standards on information disclosure according to GRI sustainability reporting framework and this is probably the reason for more contextual information supplied in their CSR.

With regard to the only one negative substantive claim, it is the metal mining company who admitted to donations and settlements in respect to what the company euphemistically calls "mainly" a natural disaster. However the damage was mainly caused by the embankment the company built that collapsed in a storm. The report discloses:

"In 21 September 2010, typhoon hit the Zijin metal mining site located on the upstream of the river in Xinyi, Guangdong province. As a result, the villages in the downstream were badly damaged and a number of people died in the accident. Even though the accident was mainly caused by the natural disaster, Xinyi Zi Jin (a subsidiary company) and Zi Jin Group made the initiative to donate 51.5 million RMB to the village people before the regulatory department made any penalty to the company. Recently, the legal claim regarding death in accident has been settled out of court by mediation; the legal claim regarding asset loss is still in process. Xinyi Zi Jin and Zi Jin Group genuinely hope that by going through proper legal procedures, the case can be settled by mediation with guidance from the local government and the court. They also hope the outcome is fair to both parties. Then they will pay for the damages caused as well as be responsible for the settlement of employees in related companies." (Zi Jin Group social report 2011 p.22).

What conclusions can be drawn from these disclosures? To what extent is there "Greenwashing"? In general, the economic benefits disclosed were vague except for more substantial information on technological improvements and charitable donations. The environmental claims were perhaps more encouraging with respect to some substantial improvements to emissions, waste and successful village locations. However, as Boff (2003) points out the improvements are in respect of problems that these extractive industries have themselves created. The only substantive negative disclosure among the seventeen companies supplying social reports was in respect of a major site accident. If companies are committed to issuing social reports, such major accidents can hardly be omitted. Among the social disclosures, labour practices and safety featured as well as customer satisfaction. These benefits, plus the improvements to village living standards, could be no more than, again, ameliorating problems which the industry has itself created.

6 Discussion and Conclusion

The aim of the paper is to examine the allegation made in the Economist that CSR in China is not verifiable and possibly untrue. Such an allegation is worth examining not just because of the importance of China as a global centre of production and it is, therefore, useful to know what Chinese companies are reporting but because, if CSR is reduced by scepticism then honest attempts at CSR will also be undermined and the global initiative to report more widely on the impact of industry could become increasingly dismissed as "PR" speak.

To consider this further, the paper has referred to scepticism within the extant literature and has used Legitimacy Theory to explain corporate motivations for CSR. The problem is that what is true or untrue may be partially true. The reports examined may be considered as a series of separate truths. For example, the commonly reported statement by the mining companies with regard to donations to charities are probably true but cannot be verified. However, it is what is unsaid that is important. The donations reported are to charities, such as hospitals to help those mine workers suffering injury or damaged health. Likewise, the mining company reports of re-settling villages or cleaning up rivers are also probably true. The problem is that what is necessarily true may not be sufficient. As social actors we interpret reality and act on our beliefs, the result may be selective and less than objective, perhaps, because we interpret our role so as to legitimise ourselves in the eyes of other. We prefer "a truth" to "the truth". Nor is there necessarily intentional hypocrisy in such selective "truths". As Plantinga (2011) points out, most of our reasoning rest on our beliefs or inferences from casual observations and not from a process of scientific induction or deduction. It is not unreasonable to believe that the mining companies CSR is the product of what the corporate managers believe are responsible contributions made to improve social and environmental welfare. That their contributions may be subject to criticism might to many mining managers seem surprising and ungenerous.

Thus, it can be argued that CSR among mining companies in China is a self-serving public relations exercise to win legitimacy in the eyes of their stakeholders. Greenwashing - as it is known in the literature - is like “whitewashing” a strategy to conceal the ugly with seemingly innocuous disclosure. A more charitable approach is to view the claims of positive social reporting as making a difference, while acknowledging that the benefits and improvements, if really more than symbolic, serve only to ameliorate the problems that the industry itself has caused. For example, is it enough to show the death and injury rates per millions of tonnes of coal produced or that a coal mine engages the local hospital to perform annual health checks on their miners, or that a village has been successfully moved, without further contextual comment? Extractive industries are by nature, dangerous and damaging, yet those companies that produce social reports generally make no mention of these hazards or of steps to limit their effect. The case of the Zi Jin metal mining group is interesting because as the Internet reports show, at first, the company tried to hide the major accident but subsequently, after punishment, it has, according to Chinese bloggers, become a model of openness or, in terms of the paper’s analysis – negative substantive disclosures. However, the Zi Jin Company may be providing a model of CSR but, in the immediate term, it is not much emulated. From the positive, self-legitimising tone of most of these social reports we learn little that is negative about mining but superficially we learn much that is beneficial. It is to be hoped that learning from the Zi Jin Company’s experience of heavy fines and terms of imprisonment to the managers concerned, other mining companies may be more forthcoming in future with their negative disclosures. What is clear that the Chinese government will deal harshly with offenders and that because of the risk of fines and imprisonment other companies will want to legitimise their activities in the eyes of the government. In terms of theory, the cognitive element of legitimacy is important in this context as the Chinese government is both a stakeholder and a gatekeeper. Pleasing the government will be in the interest of the mining companies and their managers.

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