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# Corporate Social Responsibility Practices at PEMEX: An Analysis on Stakeholders

## Prácticas de responsabilidad social empresarial en PEMEX: un análisis de los grupos de interés

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## ABSTRACT

Nowadays, adopting an organizational approach focused on sustainable practices aimed at promoting the responsible use of resources can represent a competitive advantage for companies, which can thus keep costs low and reputation high. An example of a company that adopts this approach is Petróleos Mexicanos (PEMEX). For this research, an analysis of the external management structure of the company –whose Interest Groups includes indigenous communities, civil society, government, media, suppliers and customers— was carried out based on the information provided on its website. The evaluation of the organization's performance in terms of its relationship with relevant stakeholders includes the annual reports provided by the company, using a matrix that includes the results obtained each year in terms of stakeholder management. The results show a decreasing tendency of the company on its investment in socially responsible practices, which contradicts the justification of such investment to promote and boost the competitive advantage of the company.

**Keywords:** Stakeholder Matrix; PEMEX; sustainability practices; CSR; strategy; competitive advantage; Economic history

**JEL Codes:** P56, I3, H7

## RESUMEN

Hoy en día, adoptar un enfoque organizacional de prácticas sostenibles para fomentar el uso responsable de los recursos puede representar una ventaja competitiva para las empresas, quienes así pueden mantener los costos bajos y la reputación alta. Un ejemplo de empresa que adopta este enfoque es Petróleos Mexicanos (PEMEX). Por eso, para esta investigación se realizó un análisis de su estructura de gestión externa –con base en la información proporcionada en su página web–, la cual incluye en sus Grupos de Interés a comunidades indígenas, sociedad civil, gobierno, medios de comunicación, proveedores y clientes. La evaluación del desempeño de la organización en cuanto a su relación con los grupos de interés relevantes se realizó con los informes proporcionados por la empresa anualmente, utilizando una matriz que incluye los resultados obtenidos en cada año en materia de gestión de grupos de interés. Los resultados muestran una tendencia decreciente de la empresa en la inversión en prácticas socialmente responsables, lo cual

contradice la justificación de dicha inversión para promover y potenciar la ventaja competitiva de la empresa.

**Keywords:** matriz de Stakeholders; PEMEX; prácticas sustentables; RSE; estrategia; ventaja competitiva; historia económica

**Códigos JEL:** P56, I3, H7

## INTRODUCTION

Petróleos Mexicanos (PEMEX) is a state-owned company, constituted in 1938 by the laws of the United Mexican States, and incorporated as a decentralized entity of the Federal Government. It is a public corporation that has its own legal personality and equity and is responsible for the central management and the strategic administration of the government oil industry. Its headquarters are located in Mexico City. PEMEX comprises four subsidiary entities that carry out exploration, production, processing and marketing activities of crude oil and natural gas as well as refined products like liquefied petroleum gas and petrochemicals in domestic and foreign markets. Its main operations are developed in Mexico, and its foreign trade is conducted by PMI Comercio Internacional (PEMEX, 2013).

Some of PEMEX's highlights available on its website state that worldwide it ranks 8th in crude oil production, that it is the 18th integrated oil company, the 16th in refining capacity, the 20th in crude oil reserves, and the 23rd in natural gas production. It is also one of the leading suppliers of crude oil to the United States and the largest producer of crude oil, natural gas and refined products in the world. In Mexico, it is the most important marketer of refined products and the greatest source of income for the government.<sup>1</sup>

Since 1999, the company has submitted yearly reports of activities related to sustainability. PEMEX became a pioneer in the industry when it began publishing a Safety, Health and Environment Report, which highlighted the importance of sustainable operation and communication of performance in an environmental market. The protection of the environment and the efficient use of resources became competitive factors that allowed PEMEX to increase its profits and savings, comply with applicable legislation in a timely manner and participate in the conservation of national heritage.

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1 <https://www.pemex.com/en/investors/investor-tools/Paginas/default.aspx>

The reports issued by the company are based on 11 principles listed as follows: efficient custody of oil resources, industrial safety and occupational health, natural resource management, resource allocation, risk management, regulatory compliance, training and learning, integration of industrial safety, occupational health and environmental protection, interaction with communities, stakeholder relations, and accountability. The core values of the company are related to decision making based on operational excellence, administrative simplicity, innovation, agility, customer satisfaction, honesty, responsibility, teamwork and pride of belonging to the company. The aim of such core values is to achieve the organization's objectives and show a greater number of socially responsible actions and interactions with the company's stakeholders<sup>2</sup>.

In this scenario, the aforementioned principles and the strategies implemented have allowed the company to enhance its operational performance, improve its business vision, engage its relevant stakeholders and other relevant groups of interest within the global energy sector and strengthen its relationship with them, incorporating values and best business practices (PEMEX, 2017).

Considering the company's organizational framework described above, the general objective of the present research is to analyze the information on profits and savings provided in the PEMEX's sustainability reports from 2013 to 2017 related to the impact of the external management of stakeholders on the competitiveness of the company. For the present study, stakeholders are understood as the interest groups of the company: indigenous communities, civil society, governments, the media, suppliers and customers. Subsequently, the research question that was proposed for the present work was: What is the trend of PEMEX's socially responsible practices in the period comprised from 2013 to 2017 in relation to their relevant stakeholders? The initial hypothesis proposed for this study stated that socially responsible practices related to the management of interest groups had a significant and positive impact on the results of the company in the period considered for this work.

To answer our research question, the ensuing structure was followed and presented in this document: first, the bibliography regarding the relationship between variables related to social responsibility practices and economic performance in a general context was conducted; then, works

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2 <https://www.pemex.com/etica-e-integridad/sustentable/Paginas/default.aspx>

related to the socially responsible actions and economic development of global oil companies were reviewed to establish a specific context; next, the social responsibility actions included by PEMEX in their annual reports were analyzed; afterward, the methodology is presented, including the source of the data and the trend analysis related to the social responsible practices of the company; finally, the results and the general conclusions of the present research are discussed.

### ***Literature Review***

#### ***Socially Responsible Practices and Economic Performance***

As part of their social responsibility duties, business organizations must conduct their operations openly and fairly by fulfilling their commitment to the satisfaction of stakeholders, such as customers, employees, competitors, government and the general public (Guruvaiah & Rao, 2013).

The seminal work of Carroll (1979) included a four-part definition of Corporate Social Responsibility. His conceptualization embraced the notion that corporations not only have economic obligations, but also legal, ethical, discretionary, or philanthropic, responsibilities. This is a conceptual approach aimed to create social value known as the Pyramid for CSR (Carroll, 1995).

Nowadays, companies focus on meeting the needs of customers, employees, partners, the community, and society as a whole, a notion called stakeholder capitalism (Grove, Clouse, & Xu, 2020). In this type of capitalism, the symbiotic relationship between private and public parties brings new challenges that coincide with their socially responsible needs. Enterprises have focused part of their investment on corporate social responsibility as a way to add value, solve social problems, and in a private corporate way, mind the environment, work and sustainability (Roh, 2016).

In many countries, corporate social responsibility (CSR) has increasingly been seen as a way for businesses, including small and medium enterprises (SMEs), to contribute to social objectives. By committing to work hard on positive environmental practices and good community relations, small businesses can contribute to sustainable and inclusive development, particularly at a local level. CSR can also help improve the corporate image that customers, investors and other stakeholders have of the businesses, and enhance their ability to attract and retain qualified and motivated employees (OECD, 2017). The way companies engage shareholders, employees, customers, suppliers, governments, non-governmental organizations,

international organizations and other stakeholders is often a key feature of the concept of CSR (Fontaine, 2006).

Effective organizational measures are almost always related to non-shareholder stakeholders. There are two categories of indicators, the ones related to quality, such as product quality, worker satisfaction, and general quality, and those associated with social responsibility, such as environmental and community responsibility (Eniola & Entebang, 2015).

In many industries, maintaining a “social license to operate” requires thoughtful planning and commitment at all levels to ensure that effective stakeholder management, which sometimes falls under external or governmental affairs or corporate social responsibility, is a priority (BCG, 2012). However, the prominence of stakeholders generally changes over time, which also causes the priority given to the claims of competing stakeholders to change (Alfaro-cort, 2019).

CSR and SR (Social Responsibility), as well as any of its aspects, are gaining great attention in the academic and professional field. Companies are increasingly aware and encouraged to integrate and participate in CSR issues (Mark-Herbert and Von Schantz, 2007 cited by Herrera Madueño *et al.*, 2016). It has been pointed out as an essential concept that business managers must understand and manage, and due to its relevance, companies of all types and sizes are called to be socially responsible, ecologically sustainable and economically competitive (Orlitzky *et al.*, 2011 Herrera Madueño *et al.*, 2016). However, it can be objected that such an approach ignores the social consequences or consequences for society of companies and that is why we need a concept related to corporate social responsibility to mitigate such effects. Nevertheless, if stakeholder relationships are understood to be fully integrated into morality, it could be argued that there is no need for an idea like corporate social responsibility (Freeman, 2017).

Many companies are including CSR into their practices in order to achieve competitive advantages within their sectors. For example, a better planned relationship with the main stakeholders can help members of an organization to understand it integrally and is considered as a factor that can enhance the decision-making process. Investing in CSR contributes to enhance the company’s ability to achieve its objectives in the final, medium and long term.

The stakeholder’s management approach to strategy is one of the most widely recognized and cited theoretic frameworks. It is used to underpin the

importance and significance of working with groups of interest and is aimed at creating competitive advantage. It also works to generate new opportunities for managers, so that they can better understand their companies and organizations and propose activities in a comprehensive way (Freeman, Harrison, Hicks, Parmar, & Colle, 2010).

In that sense, stakeholder theory can be defined as a way to understand organizations and the values that must be created for their development in a broader, more inclusive and comprehensive way. Such development needs to be based on understanding the constant interactions between various stakeholders that are affected by the company or that affect its ability to achieve its own goals and expectations (Esparza & Martínez, 2019). The introduction of value creation for all stakeholders broadens the management framework so that it can be brought closer to a more realistic economic optimum, generate new cooperative capacities for value creation and help overcome conflicts (Argandoña, 2011).

As it can be seen in several high-profile cases, companies have caused catastrophic damage not only to the quality of life of many communities, but also to their own corporate reputation. That is why attempts have been made to incorporate these findings into the overall strategic business objectives (Freeman & McVea, 2001) of companies and organizations to include stakeholder interactions in the process of strategic definition, planning, and decision-making (R. E. Freeman, 2017).

### ***Socially Responsible Actions and Economic Development of Global Oil Companies***

Since the 1990s, the concept of CSR has gained great popularity within the business industry in developing countries, both theoretically and practically. It first appeared within Anglo-American stakeholder economics and signaled the market-driven business operation. It was later adopted for the general use of the social and environmental aspects of business procedures (Buldybayeva, 2014). The label CSR emerged in an area of research called business and society (Schwartz and Carroll, 2008), and it can be traced back over centuries to the concerns of companies for the welfare of society (Carroll, 1999; cited by Osa, 2014). Nowadays companies are committed to behave ethically and contribute to sustainable development while improving the quality of life of their employees, their local communities and the well-being of society, as well as meeting the expectations of stakeholders.

Therefore, CSR is indispensable for the success, the positive corporate image and the reputation of organizations (Kirat, 2015).

The idea of corporate social responsibility implies that corporations not only have economic and legal obligations, but they also have certain responsibilities to society. These responsibilities extend beyond the parameters established by law, although it is argued that the primacy of the company's objectives are economic as well as its legal business obligations. (Humphrey, 2016).

The potential impact of the oil and gas industry operations on a variety of areas –communities, ecosystems, and economies– can be positive or negative. On the one hand, companies can contribute to sustainable development in several ways, such as generating direct and indirect jobs, providing access to energy that enables the economic activity and social development, contributing substantial taxes and other revenues to governments, enabling the development of advanced technologies and products, investing in the long-term social and economic success of the communities in which they operate, and managing the impacts of their operations with an emphasis on environmental protection, health, safety, and human rights as well (UNDP, 2017). The footprints of transnational oil and gas companies can also be identified in developing countries, for example, in the fact that they are the receivers of foreign direct investment (FDI), skills and technology, in the large amount of people employed by those companies, and in the vast proportion of state revenue they account for. Their contribution to development in many countries through their investment in programs related to education, health, trade, agriculture, transport, construction, among others, cannot be ignored (Tuodolo, 2009). On the other hand, oil and gas production imposes significant costs on society. It can produce, for example, air pollution, oil spills, injuries, deaths and it has also been associated with second-order costs, including social dislocation and conflict. In fact, scholars speak of the curse of oil, a notion that states that the presence of oil wealth in a nation can actually do more harm than good in the long run (Spence, 2010).

### ***Social Responsibility Actions by PEMEX***

PEMEX identifies its stakeholders as the individuals or groups of individuals who have a direct relationship with the company in the economic, social and/or environmental fields. They are the actors with whom PEMEX builds relationships that can influence or be influenced by its operations or activities (PEMEX, 2016). Sustainability is defined in the company's website



as the rational and responsible use of natural resources aimed to promote the development of the country and ensure the continuity of operations.

The concept is based on three main pillars:

1. Economic: through responsible planning and action to ensure business continuity to provide the country with the energy it needs for its development, increasing the value of business assets and operating in an agile, transparent way and with innovation and high-level results.
2. Social: maintaining and building transparent, respectful and mutually beneficial relationships with the communities in the places where the oil industry takes place, as well as with the employees of the company and society as a whole.
3. Environmental: developing responsible activities, considering the fundamental values; safety, health and the protection and conservation of the environment.

PEMEX publishes an annual report on its sustainability practices. The information it contains is verified by an independent third party to emphasize on the transparency of the report and align its contents with international methodologies and guidelines, such as those of the Global Reporting Initiative and the global association of the oil and gas sector specialized in environmental and social practices. The objective of publishing the report is to spread the conviction that it is not permissible to launch any industrial development projects if they carry the risk of devastation.<sup>3</sup>

The report includes information on environmental, economic and social performance, health and safety, and indicators that allow tracking the impact of the company on its stakeholders. It presents the results of the most relevant environmental, security, social, economic actions and programs and the results of PEMEX Corporativo and its Subsidiary Productive Companies (EPS): PEMEX Exploration and Production, PEMEX Drilling and Services, PEMEX Industrial Transformation, PEMEX Logistics, PEMEX Ethylene and PEMEX Fertilizers. In the words of Carlos Alberto Treviño Medina, PEMEX's commitment goes beyond regulatory compliance, and it acts proactively to be a factor of positive change for communities, the environment and society. The stakeholder matrix, although not exhaustive, considers the following interest groups, aspect of interest and actions (PEMEX, 2013):

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3 [https://www.pemex.com/etica\\_y\\_transparencia/transparencia/informes/Paginas/informes.aspx](https://www.pemex.com/etica_y_transparencia/transparencia/informes/Paginas/informes.aspx)

**Table 1.** External stakeholders of the company and the aspect of interest

Interest groups	Aspect of interest
Indigenous Communities	Damages Specific complaints Cash and in-kind donations for community works Regulatory compliance and environmental impact Sustainability Safe operations and reliable facilities
Civil society	Specific complaints Cash and in-kind donations for community works Regulatory compliance and environmental impact Sustainability Safe operations and reliable facilities
Governments	Hiring local labor Environmental damage claims
	Financial and in-kind support Compliance Tax contribution
Middle	Economic, environmental and social performance Safe operations Illegal tapping Accidents
Suppliers	Industrial health and safety Local content (related to products and equipment) Promotion of employment and local trade Payment of goods and services under the conditions agreed in the current contracts Compliance
Clientele	Price and quality Delivery times Customer Service

Source: PEMEX Sustainability Reports (2013).

The indigenous communities, the civil society, governments, media, suppliers and customers are relevant interest groups within the management process of the public company. It is also possible to consider as definitive stakeholders those who have a consistent presence in responsible corporate practices in the company, and thus, represent an important base

to make relevant decisions and create competitive advantage in relation to ethical management (Sinclair, 2011).

### ***Social Responsibility Programs of the Public Company***

The annual report states that, pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934, the company implements initiatives in the communities in which it has substantial operations. In accordance with its corporate and social responsibility goals, the company makes donations of fuel and asphalt products, develops works or public projects of mutual benefit, invests in social programs designed to improve the living conditions of the communities and signs integrated E&P contracts to improve the conditions of the communities. PEMEX organizes and operates such actions directly or indirectly. (SEC, 2020).

In general terms, the main activities included in the annual reports of the company include cash and in-kind donations, development of movable and immovable property, a community and environmental support program (PACMA), works for mutual benefit programs (OBM), an integral contract of exploration and production, and the social responsibility and sustainable development (KMZ) clause (PEMEX, 2016). Given that such activities are relevant for the company, because they are included in the annual reports as actions that have a social impact, the analysis included in the following sections will be focused on the factors from the reports.

### ***Methodology***

This article analyzes the factors included in each sustainable report. Each report shows results of the responsible practices as competitiveness factors that allow increasing savings and profits, complying with the applicable law in a timely manner, and participating in the conservation of the country's natural heritage.

Given that stakeholder theory is considered by some authors as an integral organizational theory –because it includes the impact of internal, external, primary, secondary, present and even future stakeholders– and keeping in mind the purpose of analyzing the management style and procedures of the needs and expectations of stakeholders, the following methodology is proposed, based on the sustainability annual reports from the company<sup>4</sup>.

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4 [https://www.pemex.com/etica\\_y\\_transparencia/transparencia/informes/Paginas/informes.aspx](https://www.pemex.com/etica_y_transparencia/transparencia/informes/Paginas/informes.aspx)

### ***Identification of Relevant Stakeholders***

According to the reports, the company's stakeholders are defined as "individuals or groups of individuals who have a direct relationship with the company in the economic, social and/or environmental fields." They are the main users of the information included in said documents. In that sense, the process of selecting themes and indicators to be included in each annual report has to consider the diverse interests of those actors through a three-step process that includes identification, prioritization and integration. In the first stage, the main factor is the inclusion of general topics that are relevant to stakeholders, which are analyzed in terms of sustainability reports of companies in the sector, online surveys, media and citizen participation groups<sup>5</sup>.

The second stage focuses on relevance, by mapping into a materiality matrix the topics of greatest importance to stakeholders, in order to obtain relevant and non-relevant topics. Finally, the third part consists of responsiveness, through the integration of information based on sustainable asset management and the citizen participation group.

Then, a set of relevant stakeholders are included in a stakeholder matrix, in which the main aspects of interest of each interested party are contained. The actions taken to respond to those expectations, which are related to the next point, are also included.

### ***Integration of Stakeholder Needs and Expectations***

After identifying the main expectations and needs of the relevant external stakeholders, some of the most relevant results are included in the following table:

The aspects of interests described in Table 2 are the core of the strategic planning related to stakeholder expectations and, therefore, a guide for the decision-making process related to sustainable practices in the company. The following step in terms of stakeholder management as an organizational strategy focuses on implementing activities aimed to respond appropriately to the organization's environment. The set of actions implemented by Pemex are described in table 3.

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5 [https://www.pemex.com/etica\\_y\\_transparencia/transparencia/informes/Paginas/informes.aspx](https://www.pemex.com/etica_y_transparencia/transparencia/informes/Paginas/informes.aspx)

Participants	Aspects of interest
Indigenous communities	Respect for and compliance with indigenous rights and culture. Establishment of relations with communities through authorized support to state and municipal governments and Civil Society Organizations, as well as through investment projects implemented by Subsidiary Entities.
Civil society	Establishment of legislation and regulatory agencies, attentive to the environmental performance of the company. The organization monitors the performance and strengthens its competitiveness.
Government	Design and implementation of strategies for social relations and responsibility with state and municipal governments.
Suppliers	Strategy for the Development of Suppliers, Contractors and Local Content in order to promote the development of the country's production chains and increase the local content of the total acquisition.
Clientele	Price and quality, compliance with delivery deadlines and customer service.

**Table 2.** PEMEX stakeholders and their aspects of interest

Source: PEMEX Sustainability Report, 2013.

## Results

Table 3 shows the strategic nature of the specific activities that PEMEX implements to relate to its relevant stakeholders. The table shows that establishing healthy relationships with a variety of sectors of society is essential for the development of the company's productive activity. Due to the fact that the industry to which the company belongs has a high environmental impact, timely and efficient attention to sectors of society (civil society, including indigenous communities) is crucial to maintain good relations with the interest groups and the optimal functioning of the company.

Participants	Actions
Indigenous communities	A priori and a posteriori relationship are established with indigenous communities to meet the needs inherent in the operation and in accordance with specific corporate responsibility provisions contained in regulations such as the Code of Conduct of Petróleos Mexicanos.
Civil society	Agreements, community programs, environmental projects, and donations are developed.
Government	Agreements, accountability and cross-cutting agenda in the field of public policies for sustainable development are coordinated.
Suppliers	Strategic meetings and programs oriented to the development of suppliers are coordinated.
Clientele	Franchise programs, quality policies, health and safety, training programs are implemented.

**Table 3.** Stakeholders relevant to PEMEX and actions aimed at meeting their expectations

Source: PEMEX Sustainability Report, 2013.

### Analysis of Quantitative Information Considering Responsible Practice Programs

**Table 4.** Contributions made by the company to responsibility practice programs

The data for analysis was composed of information from the PEMEX's sustainability reports available on the company's website. Table 4 includes the name of each program, the year for the time frame analysis and the contributions made by the company for each period<sup>6</sup>:

PROGRAM	2013	2014	2015	2016	2017
Cash donations	511.5 million pesos	250 million pesos	351 million pesos	63.5 million pesos	0.04 million pesos
In-kind donations	2.7 billion pesos	2.6 billion pesos	1.6 trillion pesos	1.2 billion pesos	1.2 billion pesos
Movable property	NA*	NA*	NA*	3.9 million pesos	59 million pesos
Immovable Property	NA*	NA*	NA*	24.4 million pesos	90.46 million pesos
Community and Environmental Support Program (PACMA)	NA*	80 million pesos	196.3 million pesos	186.9 million pesos	233.82 million pesos
Donations and Work of Mutual Benefit (OBM)	NA*	NA*	297 million pesos	23.2 million pesos	23.03 million pesos
Integral Contract of Exploration and Production (CIEP)	NA*	NA*	687.3 million pesos (aggregate)	28.6 million pesos	81.22 million pesos
Social Responsibility and sustainable development (KMZ Clause)	NA*	NA*	NA*	100.4 million pesos	2.1 million pesos
Total	3.2 billion pesos	2.9 billion pesos	3.1 billion pesos	1.63 billion pesos	1.67 billion pesos

Source: Authors based on the company's sustainability reports (2013-2018)

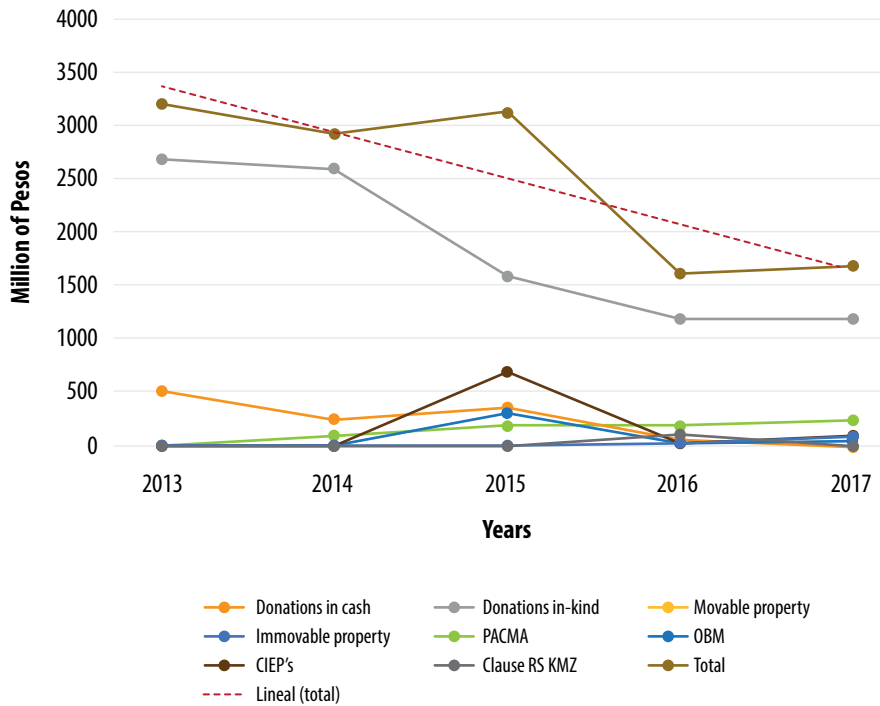
\*NA: Not available

As table 4 shows, the contributions made by the company to its social responsibility programs with donations in-kind are higher compared to other forms of contributions to positive social impact. It is also important to highlight the fact that the contributions made in the first period are considerably higher than those in the ensuing years, mainly in direct relation to the level of in-kind donations by the company.

Finally, the peak size of PEMEX's contribution to sustainability of each program is different each year. That could indicate that resources are reallocated differently in different years.

<sup>6</sup> <http://www.PEMEX.com/responsibility/sustainable/reports/pages/default.aspx>

Figure 1 shows the different trends of the contributions considered for the present study. The figure is useful to understand the historic trend followed by each variable considered in the present study in relation to the social contribution of the company:



**Figure 1.** Trend of economic resources for PEMEX's socially responsible practices

Source: Authors, based on information from sustainability reports (2013-2017)

As it can be seen in Figure 1, the trend of economic investment in programs aimed at meeting the needs and expectations of stakeholders has decreased over time (the dotted red line represents the total trend). That fact indicates that the company's strategy is inclined to invest in capital rather than economic resources for society and major groups that are relevant to the organization. However, despite the negative trend over the years, the overall behavior of variables such as CIEP's, donations in cash, PACMA and OBM increased from 2013 to 2015. Those variables are the most relevant in relation to the company's promotion of sustainable management of stakeholders needs and expectations.

### Discussion

The analysis of the results reported by the company in the years analyzed for the present study showed a decreasing level of investment in socially responsible practices. The donations in-kind were the most significant and the most prominent level of reduction happened in 2017.

The year with the highest social investment was 2013 with 3,200 million pesos, and the lowest was 2016, reporting a total of 1.63 million dollars distributed in activities related to donations in cash and in kind, movable and immovable property, the Community and Environmental Support Program (PACMA), and Donations and Work of Mutual Benefit (OBM), Integral Contract of Exploration and Production (CIEP) and the Clause RS (Social Responsibility) KMZ (Ku-Maloob-Zaap) of Sustainable Development.

The social responsibility practices related to management actors are described in more detail in the corresponding reports. In them it is possible to observe a greater diversity of actions, going from a high concentration in 2 main activities in 2013 (Donations in cash and in kind), to 8 main activities in 2016 and 2017.

The decline in investment over the years has been accompanied by a constant increase in the engagement of indigenous communities, civil society, government, media, suppliers and customers. Although such engagement is a valid part of the strategic planning that PEMEX follows each period and as a factor to boost its competitive advantage, it does not function as a sufficient way to respond to the sustainability goals proposed by organizations such as the United Nations.

In the reports of the years analyzed for this research, it is evident that there is a similar structure to manage the company's relations with its stakeholders. Such structure is made up of agreements, strategic meetings, donations in cash and in-kind, and also in strategic collaborations with governments at the state and municipal levels. This structure is the basis that the company is implementing in its activities to promote sustainability and strategic decision making in order to comply with the sustainable objectives of the United Nations and other important world organizations.

The reports also show that the company has complied with some important guidelines and indicators that aim to respond to critical challenges faced by the oil and gas extraction industry: climate change, energy, biodiversity, water management and disposal and local environmental impact; in that sense, compliance with such indicators demonstrates their importance for the company as well as their consistency with the precautionary principle.

Given the fact that PEMEX is a company that exerts great influence on the Mexican economy and maintains a close and constant relationship with the different social and environmental actors, the influence of the organization shows a definitive impact on social, economic and political



actors, mainly shareholders, government agencies federal government and Mexican society.

In that sense, the results of the analysis showed that the company focuses its sustainable activities on climate change, energy, biodiversity, water management and disposal and local environment impact.

## **CONCLUSIONS**

The contributions achieved by PEMEX, a global class company, as reflected in its annual reports, evidence that the needs and expectations from the interest groups of the company, external and internal stakeholders, are being met on a regular basis and as part of the economic and productive activities of the company. PEMEX fulfills the purpose of achieving a high level of integration with the communities while attaining its economic and financial objectives.

However, the reports are not clear regarding the impact of sustainability-driven actions on the company's economic development or in its profitability or savings. The reports do not show whether there is a clear relationship between responsible corporate activities and the company's competitive advantage in the industry to which it belongs.

The process of identifying, integrating, implementing activities and analyzing the results to understand the company's relationship with its relevant stakeholders in terms of sustainability showed that the organization includes a particular definition of stakeholders. Such concept is defined in terms of the economic, social and environmental scope of the direct relationship with the company. It is of great importance to emphasize that the process also revealed that the relationship between sustainable practices and competitive advantage is not as clear as expected. In the reports, the potential cost of a possible unsustainable management of the company is not estimated. That is, the reports do not integrate a way in which the possible cost of not implementing socially responsible practices is calculated, so that it can be compared to what is being currently achieved.

The activities developed with the main stakeholders of the company located in 12 states (Campeche, Coahuila, Chiapas, Guanajuato, Hidalgo, Nuevo León, Oaxaca, Puebla, San Luis Potosí, Tabasco, Tamaulipas and Veracruz) are not clearly separated. Therefore, it is not possible to identify which were the

priorities included in the decision-making process. Additionally, it was not possible to understand how the socially responsible practices had an impact on the competitive results, the productive participation, and the competitive performance of the company.

The information available in the reports evidence that the contributions made by PEMEX to the total amount of social investment within the four-year period analyzed has decreased. Fewer donations and activities oriented to sustainable actions have been made. Such result reveals an inconsistency between the company's justification for social investment, as a factor that directly contributes to the competitive advantage of the company, and its actual operations. In terms of savings and profitability, what the organization tries to achieve and its activities towards the goal of obtaining a better competitive position are lower compared to other international companies in the same industry.

It is recommended that further studies are developed to better understand the relationship between the dollars spent on social responsibility practices and the profits made by doing so. Also, it is important to analyze the savings obtained, and the efficiency of the production process related to managing the company's external stakeholders.

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