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CSR Reporting in the Airline Industry

An Analysis of the Development of Airlines' CSR Reporting

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Abstract

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<i>Key-words</i>	Airlines, CSR, Development, Reporting, Sustainability
<i>Purpose</i>	This thesis aims to track the development of CSR and sustainability reporting in the airline industry. The emphasis is set only on the reporting practices and not on the companies' CSR and sustainability activities per se.
<i>Methodology</i>	To analyse the development, a qualitative content analysis with a longitudinal-comparative research design was adopted. This thesis uses an inductive approach, discussing potential reasons for certain trends and developments.
<i>Theoretical Perspectives</i>	The aspects to be considered in the analysis were determined based on general qualitative characteristics of accounting reports, based on the IASB and GRI frameworks.
<i>Empirical Foundation</i>	The empirical material consists of sustainability, environmental and annual reports that were available on the airlines' websites. The sample contains 20 airlines, 12 network, six low-cost and two cargo airlines. The primary focus was to include airlines from the most significant aviation markets.
<i>Conclusions</i>	One of the major results of the thesis is that the awareness of sustainability topics among airlines started to receive attention especially during the last decade. Even though airlines seem to have or still put efforts into making their own reports comparable, comparability across different carriers' reports and the presented measures is not yet achieved and is not expected to do so in the near future. Other observations include the increased use of the GRI framework and the use of assurance for sustainability related information.

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Abbreviations & Terms

ASK	Available Seat Kilometres
ATAG	Air Transport Action Group
CDA	Continuous Descent Approach
CFP	Corporate Financial Performance
CO	Carbon Monoxide
CO ₂	Carbon Dioxide
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
DLR	Deutsches Zentrum für Luft- und Raumfahrt (National Aeronautics and Space Research Centre of the Federal Republic of Germany)
EC	European Commission
EMS	Environmental Management System
EU	European Union
ETS	Emissions Trading Scheme
FASB	US Financial Accounting Standards Board
FSNC	Full Service Network Carrier (synonyms are legacy carrier, network carrier and traditional carriers)
GDP	Gross Domestic Product
GHG	Greenhouse Gas Emissions
GRI	Global Reporting Initiative
HC	Hydrocarbons
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
KPI	Key Performance Indicator
MNC	Multinational Corporation
NGO	Non-Governmental Organisation
NO _x	Nitrogen Oxide
NPRI	National Pollutant Release Inventory
PAT	Positive Accounting Theory
PKT	Passenger Kilometre Transported (equivalent of RSK)
PRTR	Pollutant Release and Transfer Registers

RETC	Registro de Emisiones y Transferencia de Contaminantes (Mexico's Pollutant Release and Transfer Register)
RSK	Revenue Seat Kilometres (equivalent of PKT)
RTK	Revenue Tonne Kilometres
RTM	Revenue Tonne Miles
SAS	Scandinavian Airline Systems
SEC	Securities and Exchange Commission
TBL	Triple Bottom Line
TRI	Toxic Release Inventory
UHC	Unburned Hydrocarbons
UN	United Nations
US GAAP	US Generally Accepted Accounting Practices

1 Introduction

“Business is not divorced from the rest of society. The two are interdependent and it must be ensured, through mutual understanding and responsible behavior, that business’s role in building a better future is recognized and encouraged by society.” (WBCSD, n.d.) But for a long time, it seemed to be at least that businesses were ‘divorced’ from society. This had the implication that companies could simply operate as long as they were sticking to the first two responsibilities in Carroll’s (1991) pyramid of Corporate Social Responsibility (CSR), being economic survival and obeying the law. This meant that public goods such as air could be simply used and polluted for production purposes, without paying, recompensing or even providing an account for it. Even though companies world-wide still usually do not have a legal obligation for internalising these undesired externalities, some things have changed. The awareness of these externalities and their negative impacts such as health and climate change has increased and still does. More and more companies are climbing a step higher in Carroll’s pyramid and engage in ethical or even philanthropic activities or at least claim to do so. Means of communication and to provide an account of these externalities are for instance separate sections in annual reports or separate sustainability reports, which also intend to educate their respective publics about positive effects, which their existence contributes to society.

Purpose and Motivation

This thesis aims to track the development of CSR and sustainability reporting in an industry which is perceived as producing overproportionally high environmental and social undesirable externalities. The emphasis is set only on the reporting activities and not on the companies’ CSR and sustainability activities per se. The chosen industry in this thesis is the airline industry. The motivation for such a thesis is driven by two factors, namely personal interest and a lack of research in plotting this development. Like almost no other industry, the airline industry currently undergoes deep structural changes characterized by a consolidation process especially in the EU, resulting from its relatively recent liberalisation process undertaken in the EU in the 1990s (Doganis, 2005, p. 2). Moreover, the also relatively recent increased environmental awareness in our society seems to pressure particularly the airline industry, as the head of corporate sales for British Airways, Richard Tams expressed in June 2007: *“The aviation sector generates 2% of all CO₂ emissions, yet receives 98% of press coverage”* (Coulter, 2007). The dynamics of the industry and its perception by the society make it a very interesting field to study how CSR and sustainability reporting has developed

over time. Secondly, there are studies going into the direction of CSR reporting among airlines, like the ones of Cowper-Smith and de Grosbois, (2011) and Heeres, Kruijd, Montgomery, and Simmons (2011). These ones, however, take a snapshot of the situation at the time when performing the research, while this thesis literally intends to take a movie. Another study of KPMG (2011) mentions some aspects like the adoption of GRI over time, though on a higher more general level, not focusing or mentioning specifically the aviation or airline industry. These presented reasons form the major motivation for the authors to track the development of CSR and sustainability reporting in the airline industry.

Possible Use of Gained Knowledge

The authors of this thesis believe for several reasons that it is valuable to have a movie, instead of only a snapshot of the development. It can help to identify whether a standardization or convergence of CSR and sustainability reporting is occurring in the absence of a regulatory framework in this area. This knowledge may be useful for regulators considering any type of interference in this kind of reporting. It may help them to decide on what form of regulation is most suitable not only for this specific industry, but also similar branches. But the authors are convinced that this thesis may as well contribute with interesting knowledge for other groups than the airline industry itself, for example the affected stakeholders and new master students or researchers. Based on the findings, airlines will know whether a closer collaboration with other airlines may be necessary to initiate or expedite the process of converging in these reporting practices to avoid unfavourable interference from regulators. Also, the affected stakeholder groups (to whom the airlines are expected to be accountable as well) will get a clearer picture of the development and eventually be provided with arguments to lobby for a stronger standardization in any form. Lastly, new master students or researchers may use this thesis as a basis or guideline to analyse the development of CSR reporting practices in other industries and eventually compare different industries. Especially the developed scheme for analysing this development (mentioned in the methodology part) can be helpful in doing so. But they could also use this thesis as a basis to answer subsequent questions like whether any kind of interference from regulators is necessary and how costly such proposed solutions would be.

Outline of the Thesis

This thesis starts off with a background chapter providing the most important information concerning specific challenges airlines have to face regarding CSR and sustainability issues. The aim is to give the less familiar reader in that branch an understanding of the significance of such reports and reporting practices. It may provide a better context for the reader

especially during the analysis and discussion parts. The next chapter reviews the literature on some theoretical concepts, beginning with a review on the concepts of CSR and sustainability. Moreover, CSR and sustainability reporting in general is reviewed, including its value, development and current status of research, objectives, qualitative characteristics and assurance of such reports. This chapter concludes with a section on theories explaining voluntary disclosure, which may be helpful in explaining possible developments and trends. The subsequent chapter comprises the methodology, in which the research strategy, research design, sampling and research methods will be explained. Thereafter, the research results will be presented according to themes based on the developed framework. Each of the individual sections concludes with a theme-specific discussion. This includes opinions and facts collected in the conducted expert interview. After that, a concluding chapter will summarize the major findings of this thesis including suggestions for further valuable research.

2 Background

This chapter summarizes the most important background information regarding CSR and sustainability challenges airlines have to face. It shall provide readers with less knowledge about this branch the necessary background knowledge to understand the significance of CSR and sustainability reporting, why and how airlines may report on these issues.

Competitive Pressure

Since the beginnings of the commercial air transport, global air traffic has continuously increased and is still expected to do so for many years, with changing geographic hotspots of growth. There are three trends that will keep this growing trend: globalization, economic growth and growth in tourism (Daley, 2010, p. 20). The airline business is very dynamic, yet characterized by low or even negative profit margins (Doganis, 2006, p. 6). The relatively recent bankruptcy of for example the Hungarian carrier Malév, the near bankruptcy of Scandinavian Airline Systems (SAS), the losses in Lufthansa's core business (Lufthansa Passage) and the on-going consolidation process in the industry (Aero.de, 2013a) clearly demonstrate these two arguments. Moreover, airlines have to face another challenge nowadays, namely capacity restrictions especially in Europe (AEA, 2007; Doganis, 2006, p. 25; Rindlisbacher, 2011). Due to their nature of business, the operations of so called Full-Service Network-Carriers (FSNCs) or legacy carriers, such as Lufthansa and SAS are dependent on lots of airport capacity within short time-windows to generate connections with shortest possible transfer-times. In order to keep up with rising demand and competition, especially from Middle-East carriers like Emirates, European airlines urge the authorities to increase the capacities at their hubs (Aero.de, 2013b). This may happen either via building new runways or extending the operating hours at airports, however both are very difficult to achieve and often require many years or even decades to plan (Roll, 2010). But not only FSNCs are affected by variations of airport operating times. One of the key success factors of low-cost carriers like Ryanair and Wizzair is to increase their aircraft utilization as much as possible. And airport operating times, which are not subject to their decisions, play a significant role in achieving that. Still, the current development is going into the direction of even further restricting the operating hours of airports. A good example is Frankfurt airport, whose operating hours were reduced by one hour in the evening, as a result of building the new North-West runway. Even though the capacity increased during the day, Lufthansa

claims to be highly impacted by this decision, not only in its passenger business, but also in its cargo business during the night, when most cargo flights used to operate from/to Frankfurt (Lufthansa Group, 2012b; Pro Flughafen, n.d.). In addition, certain international passenger flights can only leave at certain times of the day due to the existence of different time zones and reasonable arrival times (Leibold, 2001).

Environmental Awareness Increases Pressure on Airlines

It is self-evident that airlines are heavy emitters of exhausts and noise. And society has become more aware of these issues (Ehmer, 2011). Whether it is the population living around the airport being affected by noise or environmental organizations pointing especially at the exhaust emissions of aircraft, both have evidently impact on political decisions. And regardless of the efforts and progress that is made in technology, the increasing efficiency in the industry cannot offset the emissions caused by the quickly growing additional air traffic (European Commission, 2013). These issues reveal a problem of the airlines' legitimacy within at least parts of society. So, a legitimacy gap has obviously evolved and an important challenge for the airlines is the perpetuation or the reclamation of the social contract. One way of doing this is being accountable towards these stakeholders in form of reports, such as providing annual reports to shareholders. Reports on sustainability, Corporate Social Responsibility (CSR) or Creating Shared Value (CSV) have become the major way of reporting an entity's accountability towards stakeholders other than the shareholders. However, CSR in general is a relatively new phenomenon. Only from 2005 onwards, this issue has received a boosting interest in that area (KPMG, 2011a). Daley (2010, p. 50) and Ehmer (2011) agree that especially the Stern Review and the IPCC report, both from 2007 have contributed significantly to the environmental awareness in the recent policy and scientific debates. Even though the Stern review received lots of criticism of being selective (Pielke Jr., 2007), incomplete (Dietz, Hope, & Patmore, 2007; Neumayer, 2007) and even exaggerated (Baker, Barker, Johnston, & Kohlhaas, 2008), it was able to stimulate the debate on climate change significantly. One reason is claimed to be the authors background, being not an environmentalist but an economist (Ehmer, 2011). Sir Nicholas Stern is a former World Bank economist. The major concerns towards the airline industry are their externalities resulting from their operations: gaseous emissions and their impact on climate change (global and long-term), air quality (changing from a local to a global issue) and noise emissions (local and short-term) (Daley, 2010; Ehmer, 2011). Even though the majority of concerns relate to the impact on climate (Daley, 2010, p. 47), different policies have already been anticipated and realised as a result of the public pressure. Examples are the previously mentioned

reductions of airport operating hours, the Emission Trading Scheme (ETS) in the EU and noise surcharges. The question that arises is whether this pressure on the airline and aviation industry is reasonable.

Air Traffic's Contribution to Climate Change and its Additional Negative Externalities

The IPCC (2007) estimates aviation's global CO₂ emissions to be three per cent, but contributing five to six per cent to climate change. According to Stern (2007), aviation's contribution to climate change measured by greenhouse-gas emissions is approximately two per cent, while around 11% are attributed to road transport in this report. To complement this picture, it is interesting to take the industry's load factors into consideration, which has been 78% in 2011 (IATA, 2012a). A comparison: a car equipped with four seats and one passenger (the driver only) has a load factor of 25%. To make the picture even less abstract, the fuel burn rate per 100 km per air passenger amounts 3,5 litres, whereas an average car does not yet achieve such burn rates. When it comes to noise emissions, research is still not certain about the impact of noise on affected population around airports. Yet, besides annoyance and disturbance, there are indications about sleep disturbances, negative impact on children's learning capabilities and on medical conditions. The latter includes higher blood pressure, heart diseases, mental illnesses and other effects such as weakening the immune system (Department of Environment and Conservation & Department of Health, 2007). Thus, noise emissions can be considered to have a negative social impact. Another social concern is the relates to the sourcing of 'bio-fuel', which is currently developed and tested among few airlines, for example Lufthansa and TAROM (Airbus, 2011a; Lufthansa Group, 2012a). But since bio-fuel needs to 'grow', land is used for fuel instead of food production. Because especially land in non-Western countries is used for this, some parts of society consider this unethical (Vidal, 2010).

Efforts of the Aviation Industry to Reduce the Undesired Externalities

Having a look on the fuel price development and on the airlines' average fuel cost share of total operating costs, 14% in 2003 and 33% in 2012, (IATA, 2012b), a strong incentive to reduce fuel consumption is clearly evident. And efforts are made towards new engines and alternatives fuels to reduce CO₂ emissions. Nonetheless, there are two major problems according to Daley (2010, p. 48). Firstly, the time scales of developing, testing, implementing and operating new technologies in aviation are long. Thus, there is a natural inflexibility of aircraft technology in relation to the quickly changing expectations of society. Secondly, even though engineers succeed in decreasing CO₂ emissions, NO_x emissions cause a headache for them. These emissions are considered to be contributing even more towards climate change

than CO₂ emissions and their simultaneous reduction remains a challenge (Daley, 2010, pg. 34). To reduce the noise impact, some airports (e.g. Cologne-Bonn and Frankfurt) have introduced the so-called continuous descent approach (CDA), which eliminates a stepwise approach. But the biggest impact is achieved not in the near vicinity of the airport but in a range between 18 and 55 km from the airport (DFS, n.d.). Efforts are made but they need to be effectively communicated.

Airlines Have Also Positive Impacts

Having talked about the negative impacts and efforts to mitigate them, it is time to talk about the positive impacts on society. There are several statistics about the economic contribution of this branch. According to the former Chief Executive Officer of IATA, Giovanni Bisignani (2007), 32 million jobs world-wide are related to air transport. It remains questionable whether this number also includes indirectly related jobs. ATAG (2012, p. 2) estimates 56,6 million jobs world-wide being generated directly, indirectly or induced through air transport. 2.2 trillion USD global GDP is generated, which is 3,5% of global GDP. On top, it is claimed that “*aviation jobs are, on average 3.5 times more productive than other jobs*” (ATAG, 2012, pg. 2). They conclude that “*Air Transport is a major contributor to global economic prosperity*” (ATAG, 2012, pg. 2). Moreover, it generates trade, tourism and has positive social impacts such as connecting the world and remote areas, improving living standards and decreasing poverty through tourism in certain parts of the world (IATA, 2012a).

Dealing with Conflicting Interests within Society

In conclusion, it becomes obvious that the aviation industry, dominated by the airlines, contributes significantly to our economy today and will continue to do so in the future, both directly and indirectly. It makes the airlines indispensable in our globalised and still ‘globalising’ world. But despite great efforts to reduce the negative side effects, the environmental footprint of the whole industry world-wide is increasing and noise reductions do not follow a speed as expected by affected population. But reducing air traffic and making it again a luxury for the privileged, will not find much support in society, a contradiction and paradox of society’s expectations which airlines have to deal with. The Global Transportation & Logistics Leader of PwC Klaus-Dieter Ruske and the Global Sustainability Leader of PwC Malcolm Preston mention this last point, saying that the industry “*has one of the largest groups of stakeholders of any sector, and airlines need to be responsive to all of them*” which sometimes “*means balancing conflicting interests*” (Heeres *et al.*, 2011). The above discussion reveals that especially governments, regulators, local communities and environmentalists (the latter two with the help of the first two) have become significant

stakeholders. While environmental awareness has increased, especially during the last decade, CSR and sustainability reports have become a necessity. This goes in line with the boom of CSR reporting as identified by KPMG (2011a). The importance and urgency of such reporting in the airline industry becomes apparent when reconsidering Tams' statement on the imbalance of social attention while contributing only with two per cent in global CO₂ emissions. But reporting is only one step. Reporting the right things is the next step followed by reporting the right things right. And due to the relatively recent age of the trends, changes and attempts of improvements in accounting for such negative and positive externalities can be expected, which legitimises the purpose of the underlying research.

3 CSR and Sustainability Reporting

This chapter gives an overview of the concepts of CSR and sustainability and how it has developed. Moreover, it reviews some concepts such as qualitative characteristics and assurance of reports and theories related to these disclosures, necessary to understand for the later performed analysis.

This chapter begins with reviewing the different opinions about what CSR and sustainability stand for. This is followed by a discussion about what potential value CSR and sustainability can bear for firms. In order to evaluate CSR and sustainability as objective as possible, not only positive opinions are presented but also more sceptical ones, especially the most prominent critical voice by Milton Friedman. As a background to the performed analysis in the next chapter, the development of different CSR and sustainability reporting methods are reviewed as well. These different methods have resulted in a variety of CSR and sustainability frameworks presented in the subsequent section. This will give the reader the possibility to recap the most common frameworks that exist today. The following two sections, on the objectives and qualitative characteristics are more theoretical than the previous ones. The intention with those sections is to explain that the objectives pursued with such reports, e.g. supporting decision-making and accountability to stakeholders, can be achieved by assuring qualitative characteristics. Another aspect to be discussed and partially connected with one specific qualitative characteristic is assurance of these reports. Today's methods of assuring CSR and sustainability reports, in order to validate the information given in these reports, are outlined. The last subchapter present three theories, i.e. legitimacy, stakeholder and institutional theories, which may be helpful to both explain why firms report on CSR and sustainability and to discuss the result from the analysis performed and presented in the next chapter.

3.1 Defining CSR and Sustainability

The definition of CSR and sustainability is not easy to decide upon. Several opinions and ideas about how it should be defined are present nowadays (Hughey & Sulkowski, 2012, p. 25). To make it even more complicated, both the terms CSR and sustainability are often used interchangeably resulting in a confusion regarding their definition. That being said, it appears that more studies have been done on CSR than on sustainability within the economic research field.

In CSR's infancy, its concept was usually interpreted as "*social responsibilities of the firm had to reflect the expectations and values of the society*" (Loew, Ankele, Braun, & Clausen, 2004, p. 2). Today, CSR has diverged into several different interpretations. CSR is by some users viewed as a philanthropic initiative while other users consider it to be more of a management system for the firm. It could also be seen as a form of regulation (Sheehy, 2012, p. 1). In several cases, CSR has been defined as "*actions that appear to further some social good, beyond the interests of the firm and that which is required by law*" (Hughey & Sulkowski, 2012, p. 25). The definition outlined by the European Commission (EC) is very similar: "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*" (Öberseder, Schlegelmilch, & Gruber, 2011, p. 450). It is therefore not unrealistic to connect CSR with actions that are not directly taken in order to increase profit. Some firms consider CSR activities to be a form of charity (Sheehy, 2012, p. 1). Hence, firms can claim to be practising CSR even if they only make small contributions to different charitable organisations. The distinguished factor here is not the numerical amount of the contribution, that is to say that donations above one million dollar are considered CSR while donations below one million dollar are not, but the fact that CSR is considered to be actions that is not a part of the internal management system. CSR is also viewed by firms as action taken in order to mitigate environmental and other impacts on society beyond what is required by law. Sheehy (2012) has done a survey based on three different multinational companies (MNC). The survey consisted of interviews with employees regarding their opinions and ideas on CSR. The prevailing opinion among the employees was to think of CSR as "*serious effort to behave ethically as a corporate citizen in the community*" (Sheehy, 2012, p. 125). This is to say that CSR is considered to be something much more than charitable donations. Sheehy also concludes that CSR becomes a type of regulation within the firm, a form of self-regulation. If we follow the analogy that CSR is a form of corporate citizenship, that many seem to have according to Sheehy (2012), then the ideas and opinions of Jeurissen (2004) seem appropriate. According to him, citizenship is a social role that is "*characterized by an orientation towards the social contract, collective and active responsibility, as well as a positive attitude towards the juridical state*" (Jeurissen, 2004, p. 87). This suggests that CSR demands an active participation by the firm regarding duties and responsibilities. If CSR is considered to be a form of citizenship, then the responsibilities are not only on the firm itself. Instead, in order to achieve good CSR both parties, i.e. the people and the firms, need to acknowledge that the success of CSR is dependent on the correlation between the actions taken by them. The fact

that CSR is considered to be a form of citizenship, i.e. that firms have responsibilities like people, is also one major argument on why this is nothing more than window-dressing. According to Friedman (1970, p. 173), only people can have responsibilities while businesses cannot. This implies that Friedman is of the opinion that CSR is not something firms should engage themselves with. All of these opinions clearly indicate that there is not a generally accepted definition on what CSR is. The authors of this thesis interpret CSR more in line with its early definition. CSR is viewed as a method for the firm to handle the expectations held by the society in which it operates. This does not necessarily mean that the firm needs to oblige to the societies expectations, rather the firm needs to be aware of the expectations in order to take actions so that they are perceived as following the society's expectations.

Sustainability is also a term or concept that has not a generally accepted definition. In fact, it could be considered that sustainability is even less defined than CSR (Kassel, 2012, p. 133-135). The concept of sustainability can be traced back even before the Brundtland Report from 1987. However, this report, with the title "*Our Common Future*" accelerated the use of sustainability by scholars. The report was requested by the United Nation World Commission on Environment and Development (Kassel, 2012, p. 134). It does not give a definition of what sustainability is but explains the meaning of sustainable development: "*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs*" (Kassel, 2012, p. 134). This definition indicates that sustainability also takes future stakeholders, i.e. the next generations, expectations into consideration. In contrast, CSR only considers the expectations of the present society. Furthermore, this definition also indicates that the world's assets are limited, thus a fair distribution of them is required. This is apparent in the Brundtland Report. In order to achieve sustainability, the report argues that poverty needs to be addressed. Also other social aspects are considered in the report. Recommendations on redistribution on knowledge, skills and technology are also suggested (Kassel, 2012, p. 134). Sustainability could therefore be viewed as a concept that takes the whole-system, in which the firm operate, into consideration. These aspects clearly show that sustainability is not only about the environment which is usually considered.

From the above discussion, it becomes clear that the both terms have a slightly different origin. CSR seem to have developed from a social perspective while sustainability has developed from an environmental perspective. However, today both terms have started to overlap each other to such a degree that researcher and users very rarely make any differentiation between them, see Figure 1. Because of the overlapping of the both concepts

together with the very similar definition of the two, the authors of this thesis will use both terms interchangeably. This will also affect the treatment of CSR and sustainability reporting. Both reports will be treated as one, since both reports address the same basic issue. This combined treatment of CSR and sustainability is in line with how the two terms are viewed by most researchers and companies (Lorenço, Branco, Curto, & Eugénio, 2011, p. 417).

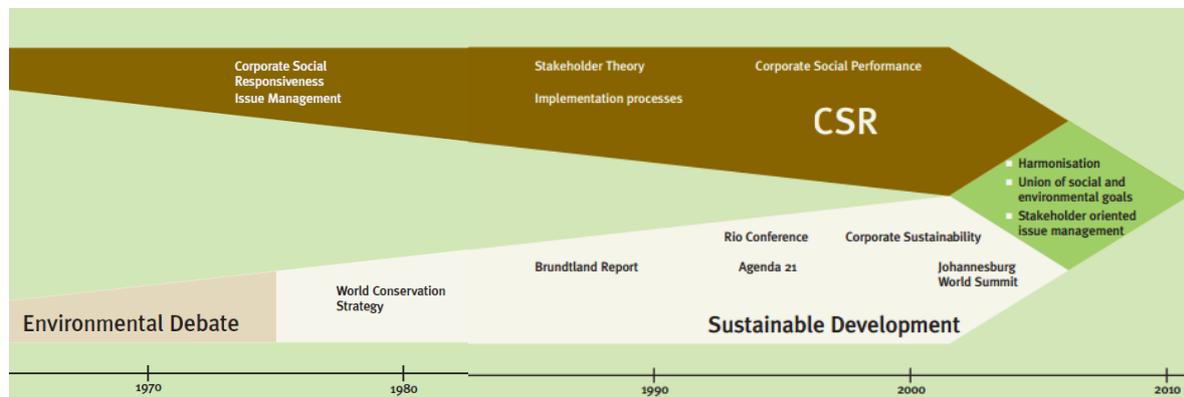


Figure 1: Development of the Concepts of CSR and Sustainability
Source: Loew *et al.* (2004, p. 8-9)

3.2 The Value of CSR and Sustainability Reporting in General

Even if CSR is nowadays a common feature of annual reports, its practices and perhaps more importantly its benefits are largely unknown and disputed by practitioners and researchers (Hughey & Sulkowski, 2012, p. 24). There is no obvious link detected between corporate financial performances (CFP) and CSR, despite all the efforts done in this field of research. On the other hand, scholars adopting a resource-based view argue that there in fact exists a positive relationship between CSR and CFP (Tang, Eirikur, & Rothenberg, 2012, p. 1274-1275). CSR is considered to be an important tool for improving a firm's relationship with its stakeholders and its reputation among e.g. customers, employees and suppliers. Employees may have personal concerns and commitments about the sustainability aspects of the firm. In order to attract and keep valuable employees with such concerns, it becomes important for the firm to consider sustainable aspects when developing their strategy. Same basic arguments can be applied on consumers (Deegan & Unerman, 2011, p. 399). Focusing on sustainability aspects could also allow the firm to diversify against other competitors. This could result in attracting new customers and thus increase the firm's profit. Research done by Lorenço, Callen, Branco, and Curto (2013, p. 10) has shown that firms with a valuable intangible asset such as corporate sustainability, will have a long-termed advantage against firms with no such asset. This will result in a higher valuation of the firm by the market (Lorenço *et al.* 2011, p. 425). Improvements in sustainability will also result in a more efficient use of limited resources. Lowering the usage of for example oil will not only lower the firm's effect on the

environment, but it will also result in lower costs (Deegan & Unerman, 2011, p. 399). The implementation of sustainable thinking could also result in finding new markets which has not yet been exploited. So called 'eco' products and food produced locally could be seen as an example of products developed from sustainable basis.

In contrast to this group of researchers, there are also the neoclassical economists. This group argues that the usage of CSR, since it will drain resources, can generate a disproportionately high cost while the market returns are negligible low (Tang *et al.*, 2012, p. 1274-1275). Tang *et al.* (2012) indicate that CSR can have a strong positive influence on a firm's performance, if it is done in the right way. They especially indicate that it is important that CSR is "*done consistently, with a focus on related dimensions of CSR, and with a starting focus on internal dimensions*" (Tang *et al.*, 2012, p. 1274-1275). Öberseder *et al.* (2011) have a different opinion. According to their research, consumers today are demanding more and more information about the CSR conducted by the individual firms. But this demand has a very small effect on the consumers purchase behaviour in contrast to what many other surveys indicate (Öberseder *et al.* 2011, p. 449). One problem with many surveys is that they are based on tests done in an unnatural setting. According to Öberseder *et al.* (2011), it is possible that these settings are unintentionally affecting the test subjects choice of behaviour which could increase the interpretive value of CSR. They also question the integrity of the survey, when many surveyed consumers will say that they take CSR into consideration when purchasing but only very few will actually do so in real life (Öberseder *et al.*, 2011, p. 449). It is therefore very difficult to state whether CSR does or does not have a positive effect on CFP.

Several researchers have shown that environmental disclosures in annual reports are a great method for firms to manage their external appearance. Many users, e.g. investors, creditors, environmental groups and governments rely primarily on the annual report in order to get both financial and non-financial information about the firm (Neu, Warsame, & Pedwell, 1998, p. 269). It is therefore important for the firm to disclose their CSR in order to manage and control their reputation which in the end affects their legitimacy (Hughes & Sulkowski, 2012, p. 25; Neu *et al.*, 1998, p. 266). Firms that negatively impact the surrounding environment could be not allowed to continue their operations in some situations (Deegan & Unerman, 2011, p. 399). Effectively managing a firm's sustainability could therefore in some cases be very valuable for the firm, in order to be allowed to continue with its operation. The effects of reporting CSR is not only bound to the specific firm that reports it. Instead, it seems that CSR reports affect the entire branch to legitimise itself in the eyes of the community and

consumers (Neu *et al.*, 1998, p. 267). A well-structured sustainability strategy will not only affect the legitimacy but also the brand image of the firm. As mentioned before, some brands are created in order to take full advantage of the sustainability perspective. This strategy is known as green branding. The intention is that the brand should be identified with a set of attributes that lowers its effect on the environment and therefore be perceived as environmentally sound. The intention is that this differentiation from other brands will result ideally in higher profits (Hartmann, Ibáñez, & Sainz, 2005, p. 10).

Moreover, the research is most often focused on a reactionary approach. The value of CSR is usually seen as a method to mitigate events that have already happened, which is seen by some as an outdated view. CSR should instead be used in order to proactively mitigate future problems (Neu *et al.*, 1998, p. 267). All firms can use CSR to manage their reputation, but it is especially important for firms that have much media attention and for firms that have or are perceived to have overproportionate negative effects on the environment and society. Research reveals that the size of a company and its impact on the environment can be used as an indication on the amount of CSR the individual firm is likely to report (Neu *et al.*, 1998, p. 267).

CSR is also important when analysing the aspects of regulation. Most of the firms that report on CSR have the size of MNCs. Therefore, their effect on the global economy is important but at the same time it could be argued that their social cost is too high (Sheehy, 2012, p. 126-127). Their global nature also means that they are difficult to regulate through the usage of hard law, which are often national. Today, there is no international hard law that can be used in order to control MNCs in that field. This discrepancy, global firms but national laws, is to some extent solved with the use of CSR. CSR can be seen as a global self-regulation implemented by the MNCs themselves (Sheehy, 2012, p. 1). However, the effectiveness varies since the usage of CSR is not standardized among the MNCs.

For some researchers, the usage of CSR goes against the fundamental ideas about what a firm should and should not do. If the standpoint, argued by Milton Friedman, is used then the whole idea with CSR seems not appropriate. If firm's only responsibility is "*to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud*" (Friedman, 1970, p. 178), then the usage of CSR becomes obsolete. Why should a company use resources on reporting information that has no clear economic effects? This view is, however, too simplistic. CSR value is not something that is always immediately

recognised in higher profits. Even global firms need to promote sustainable markets if they have any intention to stay alive for the next generation of consumers.

There seems to be no dispute amongst scholars that CSR and sustainability are useful when legitimising the firm to consumers. It also seems to be useful for implementing a form of regulation that is suitable for a global arena. Moreover, several surveys have shown that consumers are demanding more and more information about the CSR activities done by individual firms. The only area where there seems to be some disagreement is the economic benefits that are being received on a short term basis. The economic factors, although important to some extent, are not the most important reason why the aviation industry needs to comply with CSR. Instead the demand for information by the consumers is the most important aspect. In some cases the consumers will, with the help of national governments, enforce regulation that can severely impact airlines' operations and thus have disastrous effects on the already prevailing low profit margins. In order to act proactively against hard regulations and at the same time legitimise them, not only airlines but the entire aviation industry should heed the value of CSR.

3.3 Development of CSR and Sustainability Reporting

The practice of reporting on CSR and sustainability, be it mandated or on a voluntary basis, is relatively new. Commonly, the reports consist of environmental, social, and financial aspects, in line with the opinions and demand of sustainability theories. The behaviour of reporting non-financial performance was in the beginning very improvised, i.e. they did not follow any standardized reporting system. The reports were also very sporadic published which resulted in gaps of several years between the reports. It was not until the late 1980s and the beginning of 1990s that CSR reporting was more continuously reported on and at the same time started to follow a more standardised approach to the presentation of CSR. During this time, several different governments, firms and non-governmental organisations (NGOs) started to develop different types of reporting guidelines with varying goals such as reducing pollution, reducing health and safety risks, lowering corruption, improving public service, protecting civil rights and much more. The increase of guidelines seems to be closely linked to the increase of the public's demand for information regarding the firms sustainability and the pressure felt by a variety of stakeholders, e.g. unions, investors, governments, consumers and so on (O'Rourke, 2004, p. vi).

The start of reporting on CSR was already in the beginning of the 20th-century. In the USA, the SEC (Securities and Exchange Commission) under the U.S. Securities Act of 1934 required publicly traded firms to disclose all material information regardless if they were

financial or non-financial. This resulted that for example environmental liabilities and costs of complying with laws regarding environmental aspects had to be disclosed (O'Rourke, 2004: 11-12). In more recent times, other requirements on CSR reporting have had their origins in environmental disclosures, today known as Pollutant Release and Transfer Registers (PRTRs). These include requirements such as Toxic Release Inventory (TRI) from the US in 1986, National Pollutant Release Inventory (NPRI) from Canada in 1993 and Registro de Emisiones y Transferencia de Contaminantes (RETC) from Mexico in 1996 (O'Rourke, 2004: 12). The increase of governments' awareness of the values of CSR reports can also be found in the Swedish society. All state-owned firms are required to disclose their CSR activities (KPMG, 2011a, p. 9). This demand from the Swedish government can be seen as a small step against implementing regulations about demanding more and better disclosures on environmental, social and financial aspects of firms in the Swedish society. Similarly, other governments have started to take initiatives to also require more CSR disclosures on social aspects (O'Rourke, 2004, p. vi).

But how do the firms report on CSR? The way to communicate CSR relevant information is still a struggle for today's firms. A unifying approach or preferred media to disclose CSR does not exist yet. The accessibility of firms CSR reports is therefore very irregular. That results in a reduction of the comparability between firms around the world (KPMG, 2011a, p. 20). Five years ago, much of the CSR disclosures were presented in individual reports separated from other financial reports. Even today there is an evident appreciation by firms to report on CSR in stand-alone reports, often in PDF format (KPMG, 2011a, p. 22). Many firms have also started to use the internet in order to present their CSR reports. Approximately 40%, according to KPMG (2011a), have now created special websites with the sole purpose to communicate their CSR reports to stakeholders. These websites are also often considered to be a good method to increase the accessibility of the firms' CSR reports. Many firms are also reporting on their CSR activities in the directors' report (KPMG, 2011a, p. 22-23). However, many firms are today starting to incorporate their CSR reports and financial reports into one annual report. The aspects of an integrated report are starting to appear. In its most simplistic form, an integrated report is sometimes considered to be present when key information regarding CSR is disclosed in a separated section of the corporate financial report. This is suggested by KPMG to only be conceived as a 'combined report' rather than an 'integrated report'. The integrated report is instead considered to be a report that gives a "*full picture of the company's comprehensive business performance*" (KPMG, 2011a, p. 23).

In 2011, slightly more than 25% of the G250 (the top 250 firms in the Global Fortune 500) had included CSR reports in either their directors' report, a special-purpose section or in both. According to the firms, this is done in order to construct an 'integrated report'. Of those firms who have claimed to disclose integrated CSR reports, 62% only included a special section in their annual report about CSR. These special sections are not enough in order to be considered to have done an integrated report. Hence, the use of integrated reports is still very unusual. The use of CSR reports is also heavily focused on industrialised societies. Developing countries and less wealthy regions are still lagging behind when it comes to CSR reports. This should not come as a surprise since these societies have more pressing urgencies to consider (KPMG, 2011a, p. 4).

When it comes to the airline industry, Cowper-Smith and de Grosbois (2011) made a research on several airlines world-wide and their adoption of CSR practices. They also applied a qualitative content analysis, however applying a cross-sectional design and considering only one reporting period. They found out that until January 2009 only 14 of 41 selected carriers had CSR reports which were publicly accessible. Furthermore, their research revealed that generally there was greater emphasis placed on environmental issues than on social or economic issues. Among the environmental issues, the efforts of reducing emissions were dominating. Social themes included diversity and social equity, employee engagement and wellbeing, economic prosperity and community wellbeing. Another observation they made is that published measurements were either inconsistent or differing, making comparisons across companies difficult. Heeres *et al.* (2011) come to the same conclusion saying that many relevant measures are reported, however not the same across different airlines. If the same measures are reported, then their differing definitions across airlines makes comparison still impossible. Moreover, they come to the conclusion that lots of improvement is still required by airlines in reporting on corporate social responsibility and its verification. But there is an increasing trend for reporting on corporate sustainability among airlines world-wide. There are several types of publications which started to appear as a result of the increased environmental awareness. Ehmer (2011) mentions environmental, sustainability and annual reports. These reports are usually the ones which at least attempt to provide an account for environmental and social concerns. In addition, he mentions other types of publications such as news for neighbours (more applicable for airports), presentations in books, on the internet and public presentations. The objective of all these is usually to educate the relevant public and reduce their pressure. A good example is a public presentation of Lufthansa's former Chief Financial Officer on how airlines will react to environmental

pressure. Gemkow (2007) defends the airline industry saying that air traffic's role in climate change is "*widely exaggerated*" and compares how much other daily activities emit CO₂. He also talks about the efforts of the industry towards reducing emissions and blames the EU for not tackling issues such as the fragmented European airspace which causes unnecessary and relatively easily avoidable emissions. But as already mentioned, this thesis focuses on CSR and sustainability reports.

In a nutshell, it can be said that CSR reporting is still in its infancy including the airline industry. Airlines use several channels for educating the relevant public about their efforts. When it comes to the major publication type, CSR and sustainability reports, the biggest concerns relate to the comparability of reported measures across time and across competitors. Moreover, the review revealed that the study of Heeres *et al.* (2011) focuses more on current reporting, same as Cowper-Smith and de Grosbois (2011), whose study clearly adopts a cross-sectional design before 2011. By applying a longitudinal research design, this underlying thesis becomes more unique.

3.4 Standards and Guidelines for CSR and Sustainability

The increased awareness of CSR and sustainability concepts has resulted in a demand for different types of standards and guidelines. So, it is not surprising that the supply of sustainability standards and guidelines is mirroring this demand. The United Nations Global Compact (UN Global Compact), Global Reporting Initiative (GRI) and ISO 14001:2004 are three examples that are frequently being mentioned and used today. The United Nations Global Compact was developed in 2000 and comprises ten principles divided into four categories: human rights, labour, environment, anti-corruption (Global Compact, 2013). These principles apply to any level, in any type of firm and in all industries. The principles are all based on declarations that are globally accepted, e.g. the Declaration of Human Rights (Global Compact, 2013). The principles provided by the UN are of general nature. Hence, it does not provide any instructions on how firms should report on their CSR activities. The GRI is a framework that has become the most frequently used framework in the world since its foundation in 2006 (CBSR, 2009, p. 9). It is a non-profit organisation with its headquarters situated in the Netherlands. The organisation consists of a very large network of different stakeholders, joined together in an effort to create a CSR framework suitable for the demands from society. The GRI framework focuses on all three aspects of triple bottom line (TBL): economic, environmental and social aspects. The difference to UN Global Compact is that GRI provides standards to how report on sustainability (Lim & Tsutsui, 2012, p. 73). The last example to be mentioned is ISO 14001:2004, which consists of requirements and standards

for an environmental management system. The purpose with this framework is to enable the firm to better handle the legal and non-legal requirements on the firm. It also only focuses on those environmental aspects that the firm can control or influence (ISO, 2013).

For certain industries, there even exist tailor-made CSR frameworks (CBSR, 2009, p. 2). Some standards and guidelines regarding sustainability are very respected and therefore considered to be more legitimising when used than others. In order to use the certifications given by e.g. UN Global Compact, firms need to comply with the standards or prescriptions stated in these frameworks. This certification can be useful for the firm in order to legitimise their CSR report. As mentioned, many different types of frameworks exist. Many of them are based on the perspectives of TBL. TBL theories argue that firms should not only focus on the economic value they add but also on the effects their operations have on the environment and society (ACT Government, 2011, p. 7). These three aspects are often used as a basis for the standards and guidelines that exist today.

3.5 Objectives of CSR and Sustainability Reporting

In the previous section, the value of CSR and sustainability has been discussed. Still, publishing reports on these activities is another important step to inform stakeholders about these good habits. There are several reasons for a company to publish CSR and/or sustainability reports. One obvious reason is the company's demonstration of accountability towards stakeholders and enabling and supporting decision-making of the targeted groups (Deri, 2006). Such decisions could be for instance capital investment decisions, which may adopt sustainability screening factors (Hopwood, Unerman, & Fries, 2010), community policy decisions affecting the entity's operations etc.

In an introductory paper on sustainability reporting, the consultancy *SustainabilityWorks* lists three major points on which progresses are typically reported: decreasing the environmental footprint, improving financial bottom line and ethical operations and finally improving relations with different stakeholders (SustainabilityWorks, 2007). These three points seem not to differ with the points made by Hopwood *et al.* (2010, pp. 10-15) when arguing in favor of the integrating sustainability in a company's daily operations. But the authors want to make a clear distinction between why to integrate sustainability into a company's operations (discussed in the previous section) and why to report on such topics and such activities. Ehmer (2011) argues that nowadays a company's image is heavily dependent on how it is perceived by the society and that phenomenon is especially challenging for the aviation industry. This argument goes hand in hand with the opinion of Richard Tams, mentioned at the beginning of the thesis, that the sector of aviation "generates

2% of all CO2 emissions, yet receives 98% of press coverage” (Coulter, 2007). Therefore, to reduce this pressure, one of the objectives of CSR and sustainability reports may be to decrease the perceived environmental footprint. This makes the first point mentioned by *SustainabilityWorks* more applicable and clear in the prevailing context of discussion because obviously reports per se cannot reduce the actual environmental footprint. The same goes for the next point on improving ethical operations, which can be extended to improving the perceived ethical operations. And consequently, these two points help to achieve the third point, namely improving relationships with different stakeholders. Even though the three points made by *SustainabilityWorks* were mentioned in the context of which progresses to include in such reports, some of their objectives could be derived by considering the society’s perception on an entity’s operation.

Ehmer (2011) mentions at first sight different reasons for publications, however, they are neither contradictory nor mutually exclusive with the previously made points. One of the reasons is information for several stakeholders such as the surrounding population, customers, regulators etc. This point highlights the accountability aspect of reports. The next argument is that CSR and sustainability reports may be used as another media for advertisement to spread the brand. Another objective highlighted by Ehmer is public relations, which is an important method of creating a positive image and decreasing negative impact (Ehmer, 2011). So, it becomes obvious that the point on public relations is matching with the previously mentioned reduction of environmental footprint and improving the perception of a company’s operations. Ehmer’s (2011) point on public relations seems to be supported by Deri (2006, p. 28) who argues that *“the CSR reporting process is usually led by a company’s PR function.”* The perception of a company is closely linked with the notion of reputation, which is mentioned by Deegan and Unerman (2011, pg. 336). They argue that voluntary reporting, which CSR and sustainability reporting *de jure* is, is part of a reputation risk management. Reputation may be reasonably deemed as having economic value. In order to maximize profits, management is motivated to publish these reports to counteract any threats towards the company’s reputation. All these objectives are closely interrelated, such as perception and reputation and are directed at improving a company’s perception within society. Whether the company is serious about CSR and sustainability issues or whether it uses these reports only as a public relations tool is a different story and not the focus of this thesis. But especially the points regarding perception can be deemed to be focused on maintaining the community license (Deegan & Unerman, 2011, pg. 391) or the social contract (Jeurissen, 2004, pg. 88) to continue operations in the community or society.

Concluding, there are three objectives connected with the publication of such reports, first being enabling and supporting decision-making of stakeholders. Another objective is maintaining the social contract or community license (more externally driven) and lastly, accountability towards stakeholders (more internally driven as a result of ‘good’ ethics, feeling accountable for other groups than just the shareholders).

3.6 Qualitative Characteristics of CSR and Sustainability Reports

A question which arises is how the previously mentioned objectives can be effectively achieved. It is not sufficient to simply create and publish a report, which the society may potentially perceive as a pure public relations tool to manipulate its perception, also known as ‘green-washing’. This may occur either through attempts to change a group’s perception or through attempts to deflect attention from the prevailing problems to other concerns (Lindblom, 1993). A reasonable way of effectively achieving the previously mentioned objectives is by enhancing these reports through qualitative characteristics. The literature seems to have focused more on qualitative characteristics of financial and consolidated reports rather than sustainability or CSR reports, which goes in line with the relative recent character of the topic. Nevertheless, since the objectives like providing accountability towards stakeholders and supporting decision-making are overlapping with those of financial reports, the authors of this thesis argue that it is a right approach to discuss qualitative characteristics of financial reports first. In 2010, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) have completed the first phase of their convergence project aiming towards improved conceptual frameworks of the US generally accepted accounting practices (US GAAP) and the International Financial Reporting Standards (IFRSs) (FASB, 2010). This first phase included also qualitative characteristics of accounting information. Based on the IASB’s and FASB’s achievement and their significance in global accounting (Nobes & Parker, 2012), it can be considered that their understanding and definition of these characteristics is significant and globally valid, even though minor differences exist. Therefore, reference will be made to the IASB framework. The next step would be to discuss their applicability on CSR and sustainability reports. The next question that arises is whether additional qualitative characteristics should be applicable for CSR and sustainability reports. A good source for investigating that question is the GRI framework. Hence, the qualitative characteristics mentioned in the GRI guidelines are discussed and compared to the ones in the IASB framework.

3.6.1 Qualitative Characteristics According to the IASB Framework

The IASB framework identifies two fundamental qualitative characteristics for accounting information, being *relevance* and *faithful representation* (replaced by reliability). Information becomes relevant when it is capable of making a difference or enhancing the decision-making of decision-makers. In other words: Is the information provided useful in any way for our decision-making process? Relevant information should have *confirmatory* and *predictive value*. The notion of *materiality* is closely connected to it. If the omission of certain information influences decision-making, then the information is considered as material. But this needs to be balanced with the amount of information published to avoid an information overload having a negative impact on the comprehensibility of the report. Deegan and Unerman, (2011, pg. 223) argue that it is a very judgmental concept. Faithful representation, being the second fundamental characteristic, requires that the provided information represents faithfully what “*it purports to represent*” (Deloitte, 2013). In other words: The information represents what it is expected to represent. *Completeness, neutrality* (unbiased information) and *freedom from error* (ideal information) are components of this fundamental characteristic (Jönsson, 2013).

Besides the two fundamental characteristics, the IASB framework names four enhancing qualitative characteristics, being *comparability, verifiability, timeliness* and *understandability*. Jönsson (2013) explained that *comparability* is achieved if things that are like also look alike and if things that are different also look different. *Verifiability* is achieved when different users or observers form a consensus and basically reach the same conclusions based on the provided information, even though it may not mean fully overlapping agreement. *Timeliness* purports that “*information is available for decision-makers in time to be capable of influencing their decisions*” (Deloitte, 2013). The last enhancing qualitative characteristic, being *understandability* requires that information is clearly and concisely classified, characterised and presented. Based on the general purpose of financial reporting, Deegan and Unerman (2011) highlight the target group of such information, namely “*users with some business and accounting knowledge*” (Deegan & Unerman, 2011, pg. 223).

In general, these qualitative characteristics seem to be not only applicable for financial reports. All these points are trying to help decision-makers (potential or current investors, suppliers, customers etc.) in their financial decision-making. Assuming a customer wants to check a potential supplier for its environmental footprint or social acceptance, based on its CSR or sustainability report, why should the qualitative characteristics differ for such reports? The only aspect that might require alternation is the concept of *understandability*. As Deegan

and Unerman (2011) argue, some accounting and business knowledge is required. The target group of CSR and sustainability reports are not only stakeholders such as suppliers and customers. Also the communities and societies in which companies operates in are targeted stakeholders, thus the requirement of possessing such basic knowledge should lose its validity for such reports.

3.6.2 Qualitative Characteristics According to the GRI Guidelines

The following discussion takes the Version 3.1 from 2011 as reference here. The guidelines are divided into following two parts:

- Part 1 – Defining Report Content, Quality, and Boundary
- Part 2 – Standard Disclosures

The focus is set on Part 1, which discusses qualitative characteristics in relation to the points mentioned in the headline. The following four reporting principles relate to the first point of defining the report content: *materiality*, *stakeholder inclusiveness*, *sustainability context* and *completeness*.

Materiality requires that provided information should include topics and indicators that “*reflect the organization’s significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders*” (GRI, 2011, pg. 8). The second part is overlapping with the IASB’s definition of this principle.

Stakeholder inclusiveness is not included in IASB’s framework and demands from the reporting entity that it identifies “*its stakeholders and explain in the report how it has responded to their reasonable expectations and interests*” (GRI, 2011, pg. 10).

Sustainability context is obviously also not included in IASB’s framework and requires from reports that they “*should present the organization’s performance in the wide context of sustainability*” (GRI, 2011, pg. 11)

Completeness purports that sufficient content (topics and indicators) should be provided in the report “*to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization’s performance in the reporting period*” (GRI, 2011, pg. 12). This principle is mentioned in the IASB framework as a component of *faithful representation*.

The next six principles mentioned in the GRI guidelines relate to the quality of provided information and include *balance*, *comparability*, *accuracy*, *timeliness*, *clarity* and *reliability*.

Balance is achieved when the report reflects “*positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance*” (GRI, 2011, pg. 13). The principle per se is not included in IASB’s framework. However, it goes

into the direction of *neutrality*, which is a component of *faithful representation*. Thus, another overlap is evident.

Comparability requires consistent selection, compilation and reporting of information and issues. Furthermore, these should be presented “*in a manner that enables stakeholders to analyze changes in the organization’s performance over time, and could support analysis relative to other organizations*” (GRI, 2011, pg. 14). The enhancing qualitative characteristics in IASB’s framework include this principle and are basically in line with the GRI’s definition.

Accuracy demands information to be “*sufficiently accurate and detailed for stakeholders to assess the reporting organization’s performance*” (GRI, 2011, pg. 15). The IASB mentions no direct analog concept, but it seems to build upon *materiality* and seems to cover aspects of *freedom of error*, thus ideal information.

Timeliness means for GRI regular reporting and information that is “*available in time for stakeholders to make informed decisions*” (GRI, 2011, pg. 16). Therefore, no difference is evident compared to IASB’s *timeliness* definition.

Clarity is achieved when published information is “*understandable and accessible to stakeholders using the report*” (GRI, 2011, pg. 16). *Understandability* is obviously the analog concept in the IASB framework.

Reliability purports that “*Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information*” (GRI, 2011, pg. 17). Basically, information is reliable when it can be verified, thus relating to IASB’s enhancing characteristic *verifiability*.

This overview of the qualitative characteristics of information mentioned in the GRI guidelines reveal a different structuring of the principles. Yet, it does not mean that they are mutually exclusive even when they relate to a different kind of reporting. Many of the listed principles are similar and included in both frameworks, which goes in line with Deegan’s and Unerman’s (2011, pg. 427) observation. This strengthens also the conclusion made in the previous subsection that IASB’s qualitative characteristics of accounting information may also be applied on CSR and sustainability reports. Some of the principles are included equally in both, such as *comparability*, *completeness*, *materiality* and *timeliness* with basically the same meanings. Other principles of the GRI framework such as *accuracy*, *balance*, *clarity* and *reliability* per se are not included in IASB’s framework. But their concepts are included in different ways, either under a different name or under a component of a fundamental

qualitative characteristic. Two principles which are only included in the GRI framework are *stakeholder inclusiveness* and *sustainability context*. This can easily be explained by the different focus and target groups of the frameworks, namely IASB focusing on financial reporting and GRI focusing on sustainability reporting. So the major contribution, which the GRI has made regarding qualitative characteristics are these two principles, being exclusive for this kind of reporting.

3.7 CSR and Sustainability Assurance

As it has already been mentioned earlier, the use of sustainability and CSR reports has grown over the last decade. Alongside this growth, different stakeholders, e.g. investors, employees, consumers and society, are now starting to demand better communicated and even validated sustainability reports. That is because information regarding sustainability is now more commonly used in order to determine the long-term value of firms (KPMG, 2011b, p. 1). One possibility for firms to increase the value of their sustainability reports would be to use external assurance partners. The use of assurance would both increase the internal and external value of the sustainability reports. According to KPMG (2011b, p. 2), sustainability assurance is useful in order to:

- provide confidence to stakeholders, directors, and senior management as to the accuracy and credibility of publicly disclosed performance data and associated information;
- provide comfort to management that the sustainability information supplies a robust basis for decisions and an accurate presentation of performance against business objectives;
- become a tool for mitigating risks associated with the potential disclosure of inaccurate or misleading information;
- add independent credibility to publicly disclosed performance information; and
- provide useful feedback on better practice observations.

Furthermore, assurance could also identify areas which could be further developed in order to increase the value received from the sustainability report (KPMG 2011a, p. 3).

Despite the increased use of sustainability reports and the benefits of them being assured, there are still no obligations to use any assurance method in order to validate the information given in sustainability reports. KPMG has conducted a survey in 2011 about how many of the top 250 firms of the 500 listed in Fortune 500 use assurance as a method of authenticate their sustainability reports. The survey showed that only 46% of the G250 and 38% of N100 companies are today using any type of assurance (KPMG 2011a, p. 28). The

most common method of assurance is to use one of the major accountancy companies, i.e. the big four. Of those who conduct assurance, above 70% of the G250 and close to 65% of the N100 use one of these companies (KPMG 2011a, p. 28).

What are the reasons for choosing one of the big four to do the sustainability assurance? One important aspect could be that the big four is more qualified to verify data from a variety of entities from different parts of the world. It could also be that the big four is more attuned to the link between sustainability and corporate finances and therefore more suitable to find new solutions and opportunities. Besides, the big four are already very experienced in verifying internal control systems which means that they already have an organisation that is capable of handling such validations. As mentioned, there are many strong reasons to suggest that assurance is best performed by one of the major accounting companies. But according to a ranking of CSR reports called Pleon's 2005 Global Stakeholder Report, the number one report was Shell's CSR report from that year. The ranking was determined by interviewing stakeholders around the world. The most interesting with this survey was that Shell had changed their approach on CSR reporting from using an accounting firm to an independent panel of experts who gave their opinions on how a CSR report should be conducted (Ballou, Heitger, & Landes, 2006). This clearly supports the idea of using external experts in some areas of CSR reporting (Manetti & Becatti 2009, p. 291).

Though, the most favoured reason for applying external assurance to the sustainability reports is to enhance the credibility of the report. The second most favoured reason is to improve the quality for the reported information (KPMG 2011a, p. 28). This can be interpreted as that the firms main concern about sustainability reports is not to improve the quality of the report but rather to increase the perceived credibility of the company. The authors of this thesis believe that assurance is very important for sustainability reports. That is because the assurance of sustainability reports will help to increase, not only the credibility, but also the verifiability of the report and thus increase its usefulness.

3.8 Explaining Voluntary Disclosure

The question why companies involve in voluntary disclosure has partially been discussed before when talking about the objectives of CSR and sustainability reporting. However, when performing an analysis of the development of CSR and sustainability reporting, it is of vital importance to consider theories that explain why management engages in certain reporting practices. According to Deegan and Unerman (2011), there are four major theories that are linked with reporting practices: positive accounting theory (PAT), legitimacy theory, stakeholder theory and institutional theory. Orij (2007) refers to these studies as social

disclosure studies. However, PAT is excluded from the discussion, since its three hypotheses, being bonus plan hypothesis, debt hypothesis and political cost hypothesis are all related to disclosures in financial statements. The three other theories are also often denoted as systems-oriented theories and are to some extent closely related. Under a systems-based perspective, the entity is seen as part of the society in which it operates and thus being influenced by and influencing the society, too. Deegan and Unerman (2011) also state that the three theories consider accounting disclosure policies as strategies to “*influence the organization’s relationships with the other parties with which it interacts*” (Deegan & Unerman, 2011, pg. 321). This aspect has already been indicated when having discussed the objectives of CSR and sustainability reporting, which will be more explained in the following three subsections.

3.8.1 Legitimacy Theory

The basic assumption of legitimacy theory is that the reporting entity is continuously engaged in activities ensuring that it is perceived as operating within the boundaries and norms of the society in which it operates. This is tightly linked with the concept of the social contract, which is best summarized by Shocker and Sethi (1974, pg. 67), being quoted quite often in the literature (e.g. Deegan & Unerman, 2011; Beesley & Evans, 1978):

Any social institution, and business is no exception, operates in society via a social contract, expressed or implied, whereby its survival and growth are based on: (i) the delivery of some social desirable ends to society in general, and (ii) the distribution of economic, social or political benefits to groups from which it derives its power. In a dynamic society, neither the sources of institutional power, nor the needs for its services are permanent. Therefore, an institution must continually meet the twin needs of legitimizing and relevance by demonstrating that society requires its services and that the groups benefiting from its rewards have society’s approval.

When it comes to the expressed or implied parts of the contract, Gray, Owen, and Adams (1996) make the suggestion that legal requirements make up the expressed parts of the contract while societal expectations make up the implicit parts. Taking Carroll’s (1991) pyramid of social responsibility, one could take the two lower compulsory responsibilities (economic: being profitable, and legal: obeying the law) and consider them as explicit. The upper two voluntary responsibilities (ethical: be ethical, and philanthropic: be a good corporate citizen) could be then considered as implicit. Another implication which Shocker’s and Sethi’s (1974) definition has is that the social contract is a relative concept in relation to time and space (Deegan & Unerman, 2011). The concept of legitimacy gap illustrates it well. As long as there is a discrepancy between society’s beliefs and expectation of how an entity

shall operate and the perception of how the entity has operated, a legitimacy gap exists. This may result either from changing or evolving expectations within society or from unknown information about the company becoming public (Deegan & Unerman, 2011). Based on Lindblom' (1993) findings, Deegan & Unerman (2011) list four courses to repair, maintain or gain legitimacy:

- seeking to inform about undertaking changes in the entity's operations to align the company's activities with the relevant group's expectations;
- seeking to alter the perception of the relevant group without performing any changes;
- seeking to alter the perception of the relevant group by directing attention to other issues than the issue in question; and
- seeking to alter the perception of the relevant group and aligning it with the entity's current activities.

One common way of realising these legitimising strategies is through accounting reports, as already discussed in the section on objectives of CSR and sustainability reports.

3.8.2 Stakeholder Theory

Legitimacy and stakeholder theory are closely interrelated. According to Freeman (1984, pg. 46), a stakeholder is *“any group or individual who can affect or is affected by the achievement of the organization's objectives”*. There are several ways of defining, identifying and classifying stakeholders. One way of classifying stakeholders is by distinguishing between primary and secondary stakeholders (Clarkson, 1995). While the primary stakeholder is essential for a company's survival and without whom the continuous existence is significantly endangered, the secondary stakeholder is not critical for the company's going-concern. Mitchell, Agle, and Wood (1997) developed a different model based on the stakeholder attributes power, urgency and legitimacy. He classifies stakeholders into dormant (one attribute applicable), expectant (two attributes applicable) and definite stakeholders (power, urgency and legitimacy applicable).

While stakeholder theory focuses on how an entity interacts with certain stakeholders, legitimacy theory focuses on the interaction with the society as a whole. Stakeholder theory has two branches, an ethical (normative) and a managerial (positive) branch. Under the ethical branch, every stakeholder has the right for fair treatment and the right for information about how the entity affects him/her is recognized. By using the accountability model of Gray *et al.* (1996) as a basis, Deegan and Unerman (2011, pg. 351) argue that reporting is not driven by demand, but rather by responsibility towards the stakeholders. So, regardless of the power of the stakeholder, no matter whether there is a primary or secondary stakeholder (Clarkson,

1995), whether there is a dormant, expectant or even definite stakeholder (Mitchell *et al.*, 1997), the company deems itself accountable towards all of them and provide the desired information.

A question which arises is whether truly ethical companies can actually follow the ideal of the ethical perspective. Freeman's (1984) definition of stakeholders, which is often quoted and considered valid, encompasses a potentially very broad and endless group. And according to Mitchell *et al.* (1997), it is impossible to consider all stakeholders. Thus, it is practically not possible for a company to adopt an ethical approach in interacting with its stakeholders. This implies that companies will always have to prioritize their stakeholders to some extent, on which the managerial branch builds upon.

The managerial branch focuses on explaining when an entity will fulfill the expectations of certain stakeholders. Typically, this is the case when a stakeholder is or becomes powerful based on the previously discussed attributes power, legitimacy and urgency. The more extensive these attributes become the more important the stakeholder becomes for the company and the more it will fulfill the stakeholder's expectations regarding information provision. Consequently, stakeholders are prioritised or managed.

3.8.3 Institutional Theory

Institutional theory provides an explanation for the phenomenon of organizations tending to take similar forms and characteristics and ultimately becoming homogenous. It includes two major dimensions: isomorphism and decoupling. According to DiMaggio and Powell (1983, pg. 149), isomorphism is "*a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions*". They have identified three isomorphic processes: coercive, mimetic and normative isomorphism. Coercive isomorphism occurs as a response to pressure from stakeholders, being formal or informal. Mimetic isomorphism relates to the phenomenon of organizations copying other organizations. Lastly, normative isomorphism relates to convergence processes occurring as a result of changing norms and values. The second dimension of institutional theory, decoupling, refers to a misalignment between an organisation's actual practices and its publicly announced practices. Even though management may have recognized a need for change or even initiated a change, actual practice may still differ from what is proclaimed by the organisation. Regarding CSR and sustainability reporting, decoupling may be related to legitimacy theory, more precise to one of the legitimising strategies, namely seeking to create an image of the company that is different from reality (Deegan & Unerman, 2011, pg. 369).

3.8.4 How can these theories explicitly help in the upcoming analysis?

These theories can help in explaining certain behaviour and trends related to accountability reporting. Legitimacy theory is very focused on responses of companies on legitimacy gaps and this is related to the activities of an entity and how it reports on that. Hence, this theory may be more suitable in analysing what companies are reporting and what they are actually doing. Still, maybe simultaneous changes in reporting practices by several companies may be explained in the later analysis by legitimacy theory. But especially institutional theory may help explain potential standardizing or converging trends in reporting on CSR and sustainability among airlines. Here, the first dimension, namely isomorphism will be the significant one, because like legitimacy theory, decoupling relates also to the actual activities of an organisation.

4 Methodology

In this chapter the choice of methodology is presented and discussed. The chosen research strategy, design and methods will not only be explained but also briefly discussed from a critical perspective, in order to highlight possible weaknesses of the research performed.

4.1 Research Strategy and Design

The underlying research adopts a qualitative research strategy with a longitudinal and comparative research design. That is done because the research aims at providing a general account of the development of CSR reporting within individual airlines. Additionally, these developments are to be compared on a general level in order to answer for example the question whether a standardisation process is evident and how fast it is progressing. So, the research follows an inductive approach and does not aim at testing a theory, thus being of qualitative nature. But according to Bryman and Bell (2003), even though quantitative research is usually deductive, it can also sometimes be inductive. But since the content of the anticipated CSR reports among different carriers is expected to be very different, it is difficult to develop a very stringent framework of analysis. When looking for instance for some key words in certain reports, carriers may name certain aspects differently, making a quantitative approach less suitable. And since CSR reporting is still in its infancy, a qualitative approach may capture certain interesting aspects of CSR report which a quantitative approach would possibly not be able to. One question which has not been answered yet is about the time horizon. The authors have decided to consider all sustainability reports that are available on the carriers' websites at the time of performing this research and annual reports that are available from 2000. That year was chosen since sustainability topics started to show up especially during the later years. Another possibility would have been to start from an arbitrarily chosen year, in the previous decade. As mentioned in the previous two chapters, the growth of available CSR reports has literally exploded from 2005 onwards. According to KPMG (2011a), 80% of the 250 largest global companies reported on CSR activities by 2008. In 2005, it was 52%. Therefore, a possible starting year could have been around 2007. But doing so would have not captured the entire development, as indicated by the illustration in the Appendix.

4.2 Research Methods

The research method was also indicated before, namely being a content analysis of CSR-activity related documents. Some airlines publish CSR or sustainability reports separately from their annual reports. Some include only a small section on CSR and sustainability in their annual reports. The reporting activities are analysed for each company by using one kind of questionnaire or framework, checking whether certain aspects are included and how they are presented in order to have a structured plan. Table 1 shows the questionnaire or framework by which the CSR or sustainability related reports were analysed.

The development of the research guidelines (or questionnaire) was guided by several sources and can be said to have followed a normative approach. First of all, the objectives of CSR and sustainability reporting have to be clarified. As the literature review reveals, a major objective of such reports is to legitimise a company's operation in society, keeping the social contract valid. The review continues that qualitative characteristics of accounting reports are a major help for this, consequently being one source of reference for the development of the framework. In conjunction with this, aspects of the Heeres *et al.* (2011, pg. 24) report were taken by which they have analysed core elements of selected airlines. The developed questionnaire tries to find answers on the following six aspects.

Development of CSR Reporting: This part has more of a general character. First question to be answered is on how airlines report on their CSR or sustainability activities. Do they publish separate reports, or do they include a small section in their annual reports? Each of the analysed annual reports and supplementary CSR reports was also scanned for the content and structure of the reports. And this is what this section is focusing on, namely trying to identify when CSR or related topics started to become a relevant concern for the airlines, if at all. In the case of annual reports, the research has not only focused on the table of contents. Instead, they have been entirely scanned for CSR related topics. The sustainability and environmental reports have entirely been scanned, too, to gain an overview. Another question to be answered is whether the reports are still developing or whether the development of the reporting has reached a plateau with few or even no changes occurring.

Development of Stakeholder Involvement: This part of the research considers the qualitative characteristic of stakeholder inclusiveness. Simultaneously with the research on the previous part, the documents were checked for any sections or paragraphs on stakeholder involvement or engagement. Additionally, the documents were scanned for the following key words: 'stakeholder', 'engagement', 'involvement' and 'dialogue'. In case an airline provided separate reports, the results from both reports were not regarded as separate, because the

ordinary annual reports usually contain a summary of the separate environmental or sustainability report. In other words, there is only one CSR, sustainability or environmental reporting process. Based on the way the companies report on their stakeholder engagement, general inferences about the extent of stakeholder involvement can be made.

Development of Presenting Sustainability Measures: The next content under scrutiny is the reported measures, to be exact, how carriers report on sustainability related measures. In that part, the qualitative aspect of comparability is taken into consideration. The first objective is to clarify how comparable the measures are across subsequent reports of an airline. In case a carrier presents a summary of key figures, this data becomes the focus to see how much it is altered throughout time. If no such data summary is given, the focus is to see whether charts and tables are published consistently throughout time. The next objective is to check how comparable these measures are across different companies. Because of the sample size and the amount of reports, it is impossible to compare every single measure and find analogue measures in other carriers' reports. Yet, the authors believe that it is valuable to include such a comparison. Therefore, the research results are limited to the most interesting observations. Information was collected by going through every report and registering the changes that occurred throughout time.

Development of the Usage of Standards and Guidelines: Another question to be clarified is which standards and guidelines are used. This part of the research focused on the development of the usage of GRI, UN Global Compact and ISO 14001. These three have been chosen since they are commonly used in both annual and sustainability reports. In order to determine whether one or more of them are used, the documents were searched for the following key-words: 'GRI', 'UN Global Compact', 'UN', 'Global', 'ISO 14001', 'ISO' and '14001'. In addition to the automatic search for the key-words, all documents were still manually scanned for indications for their use. Since there is only one main CSR reporting process for each company, the same approach was taken as for stakeholder involvement, namely that in case an airline provides a separate report, then that one is taken for consideration.

Development of CSR Assurance: The next aspect to be assessed is the verifiability of the reports. Because there are no binding standards such as the IFRS in financial reporting, companies may basically report content, such as provided measures, in a way they prefer it. Thus, verification or audit of these reports is being considered. Who or what parties are verifying these reports? Is it one of the big four audit firms, is it another organisation, or is it potentially an expert commission set up by different stakeholders? So, the reports were scanned for any assurance statements regarding CSR related information. This was done

manually and additionally by searching for the key-words ‘assurance’ and ‘review’. As in the case of stakeholder involvement and the usage of frameworks, annual reports were disregarded in case separate reports were provided.

Development of Timeliness: The last aspect is the timeliness of reports. It is calculated as the difference between the end of the fiscal year and the publication date. But since the publication date is not given by the majority of carriers a different approach was selected. Instead the authors decided to use the date stated in the assurance statements done by auditors. If no assurance statement is included, then the one given in the director’s report is used. If still no date is accessible, then the latest date given in the report is considered. In case only the month of publication was stated, then the 15th of that month was taken as reference.

Theme	Aspect of Scrutiny	Qualitative Characteristic
Development of CSR Reporting	How is CSR being reported on? Is it through separate report, including it as part of the annual report or any other way? Do the carriers still alter their basic reporting structure?	Comparability
Development of Stakeholder Involvement	How do carriers report on stakeholder involvement?	Stakeholder inclusiveness
Development of Presenting Sustainability Measures	Disclosed KPIs? Are they meaningful? Is any benchmarking or comparisons to competitors or previous years given?	Comparability
Development of the Use of Standards and Guidelines	GRI, UN Global Compact, ISO 14001?	
Development of CSR Assurance	Who (or what parties) are auditing/verifying/assuring the reports?	Reliability, verifiability
Development of Timeliness	Time between end of fiscal year and the date of publication	Timeliness

Table 1: Developed Framework for the Analysis

Interview method

The discussions following the presentation of research results include an additional source of information, namely an expert interview. Compared to the major analysis, this research method is relatively small and considered as a supplement only. In order to get the necessary information for the discussion part, a semi-structured interview seemed to be the best choice. Since the aim was to find out for instance the reasons for certain developments, the interviewed expert might have provide aspects, which may require further questions not being thought of during the phase of developing the topics to be discussed. Consequently, the interview required some flexibility, still including predetermined topics.

In the discussion part, the choice of possible interview candidates becomes a significant issue, since possible findings in interviews will also depend on the choice of interview candidates. Thus, it would be an ideal situation to capture the voice of several stakeholders of airlines. For this reason, an interview with an expert on CSR and sustainability reporting in the airline industry from the National Aeronautics and Space Research Centre of the Federal Republic of Germany (DLR) was arranged. Even though the name may sound as an institute favouring the airline industry and consequently lobbying in the interest of the airlines, this argument can certainly be rejected. In several researches, they have proven objectivity, for example in a research on the impact of the European ETS, claiming that the impact of it would be less than announced by the airlines (Grimme, 2011). Thus, the authors were convinced that an expert interview at the DLR would certainly allow gaining objective opinions, thus being a legitimate input for this thesis. The interviewed person was Mrs Alexandra Leipold working in the department of ‘DLR Flughafenwesen und Luftverkehr’ (DLR Air Transport and Airport Research) and the telephone interview was performed on May 7th, 2013. In the thesis, the content of the interview will be referenced by stating the interviewee’s last name.

4.3 Sampling

The underlying sample was chosen based on a non-probability sample with certain criteria to be fulfilled. An important and reasonable criteria for airlines to be included in the sample was their regular practice of publishing annual reports or financial accounts. The business models to be considered were FSNCs, low-cost and cargo carriers. The primary focus was to include airlines from the most significant aviation markets: Asia Pacific, Europe, North America and Middle East (Airbus, 2012; Boeing, 2013). By choosing to analyse the development of CSR reporting and having these criteria, the amount of potential candidates quickly decreased. There are two major reasons for it. There are many airlines, which simply do not report, either because they are still state-owned or because of a different legal form not obliging them to report. Secondly, in case of airline groups, only the group’s report was taken into consideration. This phenomenon especially contributed to having only two ‘pure cargo’ airlines. Furthermore, it was tried to keep a balance as much as possible regarding the origin of the carriers. This resulted in a final sample of 20 airlines, twelve FSNCs, six low-cost carriers and two cargo airlines. A list is provided in Table 2.

4.4 Limitations and Criticisms

One of the concerns with regard to the methodology of this research may be located in the fact that the chosen sample lacks African and South American airlines. Nonetheless, the authors

are convinced of the validity of the chosen sample. It covers the most significant regions for the airline industry, taking the top four regions based on Boeing's and Airbus' forecasts on aircraft demand (Airbus, 2012; Boeing, 2013). Based on this argument, it can be said that the sample includes significant and the most prominent players, increasing the representativeness of the sample.

Concerning the developed framework of analysing the reports, the argument may arise that it is too general and it does not cover all aspects of CSR and sustainability reporting. Using for example a scorecard for evaluating CSR reports such as Deloitte's (2002) scorecard would cover more aspects. The authors are aware of this issue. But due to the comprehensibility of such detailed frameworks and the given time, the authors would have to significantly reduce the sample size. And secondly, the authors argue that the focus is set on some important aspects of these reports to give a general overview of the development. With the own developed framework and the chosen sample size, the authors were convinced of capturing the general development and trends in CSR and sustainability reporting.

Another fact that may be perceived as weakness of the performed analysis is the inclusion of relatively few qualitative characteristics, namely comparability, timeliness, stakeholder inclusiveness and reliability/verifiability. An important one is left out, being relevance. But the authors have intentionally decided to exclude that one from the analysis. The reason is that relevance is a very judgmental issue, which is difficult to measure. This concept would require judgment from the authors whether the content and the measures are relevant. So, a more detailed analysis would be required as suggested by the comprehensive framework of Deloitte (2002). But as stated already few times, the focus was to capture a general overview of the development of CSR reporting in the airline industry.

Airline	Region	Business Model	Analysed Reports
Aeroflot	Russia	FSNC	Annual Reports (2000-2010)
Air Asia	Asia	Low-cost	Annual Reports (2005-2011)
Air France-KLM	EU	FSNC	Annual Reports (2004/05-2011) CSR Reports (2004/05-2011)
Atlas Air	US	Cargo (mostly flying on behalf of other carriers)	Annual Reports (2004-2011)
Cargolux	EU	Cargo	Annual Reports (2000-2012) CSR Report (2011, same as in 2011 Annual Report)
Cathay Pacific	Asia	FSNC	Annual Reports (2000-2012) Environmental Reports (2003-2005) CSR Reports (2006-2011)
Delta	US	FSNC	Annual Reports (2003-2004) CSR Reports (2009-2012)
EasyJet	EU	Low-cost	Annual Reports (2005-2012)
Emirates	Asia	FSNC	Annual Reports (2001/02-2011/12) Environmental Reports (2010/11-2011/12)
Jet Airways	Asia	FSNC	Annual Reports (2003/04-2012)
JetBlue	US	FSNC/Low-cost	Annual Reports (2002-2012) CSR Report (2007, 2008/09, 2010/11, 2012)
Lufthansa	EU	FSNC	Annual Reports (2000-2012) CSR Reports (2006-2012)
Qantas	Australia	FSNC	Annual Reports (2000-2012) Sustainability Reports (2008, 2012)
Ryanair	EU	Low-cost	Annual Reports (2000-2012)
SAS	EU	FSNC	Environmental Reports (1996-2001) Annual Reports (2000-2012) CSR Reports (2011-2012)
Singapore Airlines	Asia	FSNC	Annual Reports (2000/01-2011/12) Environmental Reports (2009/10-2011/12)
Southwest	US	Low-cost	Annual Reports (2000-2012) Environmental Report (2007) Sustainability Reports (2008-2011)
Tiger Airways	Asia	Low-cost	Annual Reports (2010-2012)
Transaero	Russia	FSNC/Low-cost	Annual Reports (2004-2011)
United	US	FSNC	Annual Reports (2007-2009) United's CSR Report (2009/10-2010/11) Continental CSR Report (2010)

Table 2: Sample of Carriers Including Information on Considered Reports

5 Research Results and Discussions

In this chapter, the research results are presented according to the themes mentioned in the methodology chapter. Each theme finishes with a discussion section, in which the results of the analysed theme are discussed and elaborated.

This chapter presents the research results according to the themes mentioned in the methodology. A theme specific discussion concludes each theme. Both, research results and discussions are combined in one chapter in order to increase the readability for the reader. Because of the sample size and the qualitative character of the thesis, the presentation of research results is rather comprehensive. So, to avoid a potential loss of information when reading through the research results before the discussions, the authors have decided to go the way of discussing each theme directly after the presentation of their research results. This chapter follows the same order as the framework of analysis:

- 5.1 Development of CSR Reporting
- 5.2 Development of Stakeholder Involvement
- 5.3 Development of Presenting Sustainability Measures
- 5.4 Development of the Usage of Standards and Guidelines
- 5.5 Development of CSR Assurance
- 5.6 Development of Timeliness

5.1 General Development of CSR Reporting Among Airlines

The way of publishing CSR reports is different among the analysed carriers. It ranges from spending no words on CSR related issues, over to having included environmental or sustainability reporting in their ordinary annual reports up to having separate sustainability or environmental reports which make relatively detailed accounts of environmental, human resources and community issues. The Appendix includes an illustration of the development. It illustrates the appearances of sustainability and environmental reports on a timeline from 1995 until 2012. Above the timeline, all carriers that published at least once an independent report from the ordinary annual report are listed. Below the timeline, all other carriers are listed, namely those that have not published anything and those that have published dedicated sustainability sections in their annual reports.

5.1.1 Airlines Spending No Words on CSR Related Issues

The sample reveals two airlines, which have not talked about CSR related issues yet. In its three annual reports, Tiger Airways has not dedicated even a word on CSR related issues. When it comes to Atlas Air, small sections with few paragraphs on environment and employees can be found. In the 10-K Forms however, the focus in the environmental section is on government regulation in that area and potential impacts on the company's operation. In the section on employees, the focus is also set on some government acts and negotiated collective bargaining contracts with the unions. This does not change throughout the years. Only in 2009, the annual report contains a page before the 10-K Form about newly ordered aircraft, which are supposed to lower CO₂ emissions and the noise footprint by a certain percentage. But that is all and does not constitute a change in the reporting, thus being insignificant to consider.

5.1.2 Airlines Including CSR Related Issues into Their Ordinary Annual Report

There are some airlines which report or at least have started to mention CSR related topics in their annual reports and have not published truly separate reports until now or have not established a regular reporting yet. This includes eight airlines from the sample. However, there is also a large range of how airlines include these topics in their annual reports. On the one end of the spectrum, we have Jet Airways which in 2006 has begun to literally mention this topic. The other end of the spectrum is occupied by Qantas and Cargolux that have included sustainability reporting in its annual reports.

JET AIRWAYS has begun to dedicate a small section on 'Energy Conservation' and 'Corporate Social Responsibility' in 2006. These sections include few sentences and basically mention that the airline is complying with the Indian's environmental laws and that it is supporting some NGOs. Until 2012, this has been kept and no further changes are evident with the exception of mentioning in the director's report commitment towards 'Environment, Health and Safety' and 'Employees'.

RYANAIR had no CSR section from 2000 until 2002. Topics like staff, air safety and health were briefly mentioned. Later, the Irish low-cost carrier added a dedicated section on 'Social, Environmental and Ethical Report' from 2003 until 2008, which has increased from one (2003) to almost four pages (2008). Social aspects were discussed only briefly within one up to three paragraphs. The environmental part was focused on Ryanair's new aircraft and in the later years especially on expressing negative opinions about the EU's current and planned environmental regulatory framework. From 2009 until now, Ryanair has removed its dedicated section on 'Social, Environmental and Ethical Report' and has integrated them

separately in other parts of the document. The content and the amount still remain basically the same.

AEROFLOT was already mentioning professional training and education, personnel and protecting the environment since 2000. But also here, the information was very general mentioning compliance with Russian legislation on reducing *“harmful atmospheric emissions, and observance of noise limitations for aircraft”* (Aeroflot Annual Report, 2002) and replacing old with new aircraft. In 2003, the Russian legacy carrier added a section on its community efforts, which in the next year was integrated in the new section ‘Social Responsibility’. This section included environmental activities, community efforts, social and charitable activities. ‘Personnel’ has been included since 2005 and this comprised approximately three pages. From 2006 to 2008, the section was renamed to ‘Social Development’ with the same topics on few more pages ranging between four and nine. In 2009, the title ‘Corporate Social Responsibility’ replaced ‘Social Development’, again including the same topics on approximately five pages. In the last available annual report (2010), Aeroflot separated ‘Human Resource’ and ‘Social Responsibility’. With that exception, no significant changes have occurred since 2004. From 2000, the Russian carrier has increased its reporting on the above mentioned topics from one to five pages in 2010.

TRANSAERO, the other Russian carrier besides Aeroflot in the sample, has a separate section on ‘Social Responsibility’ from 2008 onwards. In 2004, the chairman states in its letter that the company’s results *“were largely contributed by [...] high social responsibility of the enterprise”* (Transaero Annual Report, 2004). But nothing of it was mentioned in 2004. From 2005 until the latest available report in 2011, ‘Personnel’ has become a separate section with only general qualitative information on corporate policy and some numbers, occupying one page at the beginning and three pages in 2011. Running parallel, ‘Social Responsibility’ contained information about social investments programs, charity and other corporate volunteering programmes on maximum two pages. In general, while keeping the content, an increase in amount can also be registered in Transaero’s reports from one page in 2005 to three pages in 2011.

AIR ASIA has included a chapter on ‘Corporate Social Responsibility’ in 2008. In the two previous years, it included only a chapter on ‘Our People’, however, being of an advertising character. The 2008 report focused on ‘Our People’, ‘Our Community’ and ‘Our Environment’. In 2009, only community and environment were included. People were discussed prior ‘Corporate Social Responsibility’. In 2010, the title ‘Corporate Social Responsibility’ has been replaced by ‘An Airline with a Giant Heart’, however returning to it

again in the following year. The topics have varied a little. While in 2010, a subsection on Air Asia as a workplace and safety was included, the latter one was again excluded in 2011. Thus, the latest report includes a CSR section including internal and external social issues and environment and indicates still present rotations in the CSR section. Even though the amount of pages almost doubled in 2011 to eight pages, the report remains qualitative and reminds of story-telling.

EASYJET reports on social and environmental concerns from at least 2005. In 2005, Ryanair's direct competitor named this relevant section 'Social, Environmental and Ethical Report' and basically included a section on environment and another one on social issues and contributions. This basic structure (disregarding the order) was not changed until 2010, with the exception of including Safety in 2008 only. From 2006 until 2008, the title of the section changed to 'Corporate and Social Responsibility' and from 2009 onwards reduced to 'Corporate Responsibility'. From 2010, the structure seems to have been fixed on safety, people, environment and EasyJet's actions, the latter one including the airline's opinions on regulatory frameworks and its contributions, such as having new aircraft and optimising its operations. Starting with four pages in 2005, the amount of pages had increased up to 13 in 2007. But afterwards, it seems to have stabilized from to around six pages.

QANTAS' annual reports are accessible from 2000. From the beginning, the Australian carrier included a section on its community contribution, which usually took around two pages in the report. In 2003 and 2006, it has also included few paragraphs about Qantas' environmental efforts. From 2007 onwards, Qantas started to include a sustainability section in its annual report and sustainability statistics at the end of the annual report. The carrier included the discussion on its contributions and efforts in the areas safety and security, occupational health, environment and community on approximately ten pages only until 2009. Only the section 'Sustainability Statistics and Notes', which focuses on statistics and measures has been continued in the subsequent reports. Until now, Qantas has reported not regularly separate sustainability reports. One was published in 2008 and the second one in 2012. The reports include the same topics as the annual reports, but they include also employees and all topics are discussed more detailed. The major difference between the 2008 and 2012 sustainability report is that the latest report looks less professional than the previous reports when it comes to the formatting. But it includes an enhancement, namely each of the major chapters (environment and the individual social sections like customers, people and community) start with a table of priorities including the actions taken during the year and the status of the progress in each priority. But for the moment, a standardised reporting on CSR

relevant topics cannot be proven for Qantas. But as in the case of most carriers, the amount has increased from two pages in 2000 to 14 pages in 2012 considering only annual reports.

CARGOLUX varied in its way of reporting on CSR relevant issues and spent usually less than three pages between 2000 and 2007. Already in 2001, the cargo airline has a section on ‘Good Citizen’ talking about its environmental efforts for the neighbouring communities. In the next year, a section on ‘Corporate Citizenship’ is included, only mentioning the economic contribution in monetary terms. In 2004, only ‘Environment’ is included talking about the general issues and target settings for sustainable growth (incl. the general public and employees). In 2005, ‘Good Citizen’ appears again, talking about Cargolux’s environmental and charity contributions. The next two years are characterised by very general statements of commitment. Cargolux mentions that it has committed itself to the ‘Charter of Companies in favour of Social Responsibility and Sustainable Development’ in 2006. It mentions among others the four dimensions economic, social, environment and community and the company’s undertakings in these areas. A year later, the Luxembourgian carrier talks about its commitments to join the UN Global Compact and especially the introduction of an Environmental Management System (EMS) to achieve the ISO 14001 certification.

Airline	From	Pages	To	Pages	Comment
Aeroflot	2000	1	2010	5	Annual reports
Air Asia	2008	4	2011	8	Annual reports
Air France-KLM	2004	42	2011	80	Sustainability reports
Atlas Air	-	-	-	-	Not reporting
Cargolux	2008	17	2012	30	Only separate sustainability since 2008 sections considered
Cathay Pacific	2006	24	2010	60	Sustainability reports
Delta	2009	24	2012	91	Sustainability reports
EasyJet	2005	4	2012	6	Annual reports
Emirates	2011	98	2012	56	Not representative due to few reports
Jet Airways	2006	1/4	2012	1/4	Annual reports
JetBlue	2007	32	2012	64	Sustainability reports
Lufthansa	2006	81	2012	114	Sustainability reports
Qantas	2000	2	2012	14	Annual reports
Ryanair	2003	1	2008	3,5	Annual reports
SAS	2001	15	2012	53	First environmental reports not considered
Singapore Airlines	2010	21	2012	30	Environmental reports
Southwest	2009	50	2011	135	Sustainability reports
Tiger Airways	-	-	-	-	Not reporting
Transaero	2005	1	2011	3	Annual reports
United	-	-	-	-	Not representative due to few reports

Table 3: Development of the Reporting Amount

These two years seem to have been a preparation for the reporting in the coming years. That is because from 2008 onwards, Cargolux's structure on CSR reporting has become standardised. The first topic being discussed is the environment and Cargolux's efforts in this area. The next topic, 'social dimension' targets at employees and the airline's relationship with the community, followed by a section on the reporting process and GRI. Only in the last available annual report (2012), Cargolux decided to enhance its sustainability report with the topics 'Company Profile' and 'Customer Care'. While all this can be considered as CSR or sustainability relevant, a major heading for this section was only introduced in 2010, being 'Corporate Social Responsibility'. From 2011, this is called 'Sustainability'. Starting with 17 pages in this new CSR reporting in 2008, Cargolux almost doubled it to 30 in 2012.

5.1.3 Airlines Reporting Separately on CSR

The sample reveals 11 airlines and airline groups that provide or have started to provide separate CSR reports on a regular basis. The scope ranges from pure qualitative reports explaining company efforts without providing any accounts (e.g. JetBlue) to company's providing detailed qualitative and quantitative information (e.g. SAS). Also, the focus of these separate reports is different. While some carriers provide purely environmental reports (e.g. Emirates and Singapore Airlines), other carriers combine economic, ecologic and social dimensions in one report (e.g. Lufthansa and SAS).

JETBLUE's annual reports are filed as 10-K forms to the SEC, indifferent from all other US carriers in the sample. The published reports from 2002 until 2012 do not include anything before the 10-K form about CSR related issues. And the 10-K forms themselves include only few paragraphs about government environmental regulation and some sentences on its employees, similar to the Air Atlas annual reports. Since 2007, JetBlue is publishing separate reports and the amount has steadily increased from 32 up to 64 pages in 2012. But during that timeframe, the American carrier has published two reports for two years (2008/09 and 2010/11). Until 2010/11, the reports were titled 'Environmental and Social Report'. In 2012, it was changed to 'Responsibility Report'. The first report from 2007 was very qualitative and included almost no charts. This changed with the next reports and also the topics environment, safety, security and social responsibility were generally enhanced by the time and added by human resource topics (2008/09) and by 'Integrity in Economics and Governance' in 2012. So, JetBlue seems to be still altering its content of its CSR reports.

SOUTHWEST, as any other American listed company, is also obliged to file 10-K forms. As in the previous American cases, Southwest includes few paragraphs on government environmental regulation and few paragraphs about its employees, however focusing on the

union representation and agreements with the unions. This goes from 2000 until 2012. Only in the years when Southwest has started to publish a separate report (2007 and 2008), it mentioned the ‘Southwest Airlines Green Team’ in the 10-K form, referencing to the publication of a separate report. In 2007, the ‘Environmental Stewardship Report’ was a small booklet comprising 45 pages, of pure qualitative character and talking about the airline’s environmental and community efforts. The GHG emissions management was the dominating topic. In 2008, the report was renamed to ‘Southwest Cares Report’ and structured the issues into four sections: ‘Our Planet’, ‘Our Communities’, ‘Our People’ and ‘Our Suppliers’. But the last one was focused on optimising procurement processes from an environmental perspective. In 2009, the report was finally named to ‘Southwest One Report’, which is being carried until the latest report in 2011. Also the structure has become fixed from then, dividing the report into three major parts: ‘Our Performance’, ‘Our People’ and ‘Our Planet’. In the performance part, the economic achievements are discussed. The second part includes employees, customers and communities, while the ‘Our Planet’ part talks about the environment, covering all three dimensions of the triple-bottom line principle. The scope of reporting has also increased from 50 pages in 2009 up to approximately 140 pages in 2010 and 2011. The latest two reports seem to be basically taken from the airline’s webpage and format-wise slightly adjusted to make it look like a separate report in order to avoid making it look like according to the ‘copy-paste’ principle. However, this does not change the fact that obviously the reporting amount has increased over time.

EMIRATES has published its annual reports from 2001/02 onwards. Until 2009/10, there is no CSR section included. Only general topics like human resources, performance development, medical services etc. are mentioned. Eventually, sponsoring is also mentioned. Only in 2010/11, Emirates’ annual report includes a section on ‘Open to Diversity’ and ‘Open to sustainability’. The latter is basically about environmental efforts. Both are two pages and containing very general statements and commitments in these areas. More information can be found in the group’s first environmental report published in the same year. In both reports, Emirates reports on its business and financial reports and on its environmental efforts, but with only 56 pages as opposed to 98 pages in the first report. Hence, no comments can be made on any trends regarding reporting amount and longitudinal standardisation.

SINGAPORE AIRLINES claims to prepare environmental reports since the fiscal year 2001/02. However, only environmental reports from 2009/10 onwards were publicly accessible at the time when the research was performed. In their financial reports, the airline keeps its sections on community relations, its people and its environmental contributions on

maximum three pages. Between 2003/04 and 2007/08, safety and security were added. In the first available environmental report from 2009/10, Singapore does not only include environmental topics such as carbon efficiency and energy and resource conservation, but also safety and the support of communities. While safety keeps its place in the next two environmental reports, the support of communities diminishes. In 2011/12, the reporting amount rose from previously 21 and 22 pages up to 30 pages, while keeping the reporting structure consistent.

UNITED underwent a merger with Continental Airlines in 2010. At the point of data collection, United provided on its website financial reports from 2007 until 2009, but only of United. Like in the case of Atlas Air and JetBlue, these were 10-K forms with no real sections on CSR before the actual 10-K forms. The content is basically identical to the other carriers, including few paragraphs on environmental regulation and on employees. When it comes to CSR reports, United published three reports on its website: the 2009/10 ‘Corporate Social Responsibility’ of United, the 2010 ‘Global Citizenship Report’ of Continental and finally the 2010/11 ‘United Corporate Responsibility Report’. In United’s 2009/10 CSR report, its business, environmental and community efforts constituted the three pillars of reporting. It also included a data summary of the three areas at the end of the report. In contrast to it, Continental’s ‘Global Citizenship Report’ from 2010 had a broader focus, however not publishing any data summary and also being more qualitative. This report addressed future investments, environment, safety, employees and community. The latest published report was published after the merger of both carriers and is obviously simply an equivalent of United’s website about its CSR commitments. The only statement that can be made is that obviously the more extensive report has been continued.

DELTA published annual reports from 2003 and 2004 on its website. The 2003 report included only a summary of the financial statements and not the 10-K form as the 2004 report. But both reports included independently from the 10-K form sections on safety and environment, global diversity and community affairs and finally ethics and business conduct. Since 2009, Delta has also been publishing reports with the unchanged title ‘Corporate Responsibility Report’. In the first year, it included governance and ethics, environment, safety, employees, community partnerships and economic performance. From 2010, the customer perspective has been integrated. Delta’s ‘Corporate Responsibility Reports’ have also steadily increased in the amount of pages, from 24 pages in 2009 up to 91 pages in 2012.

AIR FRANCE-KLM publishes nowadays two totally separate reports, one financial and one CSR report. In 2004 and 2005, the dutch-french airline group had an ‘Environmental and

Employment Data' section in their annual reports on 16 pages. It included a section on social concerns such as employment, social dialogue and it also included social indicators. The second section was on its environmental management, including environmental indicators as well. In the following two year, Air France-KLM included a general section 'A responsible company' as part of the corporate governance chapter. No data was presented and reference was made to the separate report. These two years marked the transition to two totally separate reports, because the ordinary annual report has become a purely financial since then. But already for the fiscal year 2004/05, Air France-KLM published a 'Sustainability Report'. This report presented the vision, strategy and corporate profile, followed by the three dimensions economic, social and environmental. The 2005/06 report follows the same principle but adds a section with a large listing of action plans, commitments, previous actions and the next steps. This includes joint actions and carrier individual actions. This is followed the same way in the 2006/07, which was renamed 'Corporate Social Responsibility' report. This name is continued until now. The dutch-french carrier omitted to report for the fiscal year 2007/08 but from 2008/09 onwards, the CSR reports reveal a consistent structure: 'Understanding the sector and the group', 'Our CSR Approach', 'Addressing key issues' (environment, customer relationships, human resource policies and local development) ending with KPIs and reporting methodology. But the action plans, commitments and status of the progress have been put in front of the relevant section about the key issues from that point in time. In the next two years, each of the five key sections ends with a list of stakeholders concerned, the types of dialogues performed with them, on which issues and the outcomes of the consultations. In the 2010/11 and the 2011 CSR report, these lists are put together in the annexes. From the first separate CSR report in 2004, the amount has almost doubled from 42 to 80 pages in the latest 2011.

LUFTHANSA has published a separate report called 'Balance' since 1995. Nevertheless, only the ones until 2006 are accessible on the group's website, while the ordinary annual reports are accessible back to 2000. Between 2000 and 2002, the German legacy carrier included sections about customers, employees, fleet and the environment. In 2003, a 'Sustainability' section was added and continued until 2009, being replaced by the name 'Responsibility' in 2010 and finally by 'Corporate Responsibility' in 2011. This section had around eight pages in 2003 and 2004 and was then reduced down to two pages until 2007. Later, the page numbers on sustainability/responsibility have steadily increased up to five pages in 2012 and contain topics on economics, environment, R&D, personnel and social matters. Since at least 2006, Lufthansa's 'Balance' reports reveal basically the same structure.

The areas of reporting are ‘Company’, ‘Social responsibility’, ‘Environment’ and ‘Corporate citizenship’. In 2008 and 2009, a separate section was dedicated to Swiss International Airlines after the group purchased the Swiss carrier. From 2010, this section was removed and the Swiss carrier fully integrated in the report. Also, the amount of the report increased from 81 pages in 2006 to 114 pages in 2012, with usually the environmental section as the largest section.

CATHAY PACIFIC has provided separate reports since 2003. The first ones were environmental reports, followed by ‘Corporate Social Responsibility’ reports in 2006 and finally by ‘Sustainable Development Reports’ from 2009 onwards. Regardless, Cathay Pacific has always included few pages on CSR related topics in their ordinary annual reports. In 2000, the ordinary annual report included sections on employment and community contributions, more than a page in total. In the next year, these sections were added by few paragraphs about Cathay Pacific’s environmental commitment. This, being part of the year’s review continued until 2004 with a constant amount. In 2005 and 2006, a separate ‘Corporate Responsibility’ section was created, including these three topics and two more, one on health and safety and the other one on ‘valuing customers’, not exceeding four pages in total. Afterwards from 2007 until 2012, annual reports have no separate CSR section and include the same topics as from 2001-2004 in the year’s review not exceeding three pages. The first two environmental reports reveal a similar structure, starting with the vision and strategy, and followed by a listing of key environmental issues including the input (resources) and output (impacts), with each one receiving a separate section (flight operations, in-flight services, Cathay Pacific City, aircraft maintenance, passenger and staff well-being concluded by a quantitative data summary). In addition, the 2004 report includes a progress summary, depicting the progress in relation to previous year’s commitments. Moreover, for each issue, objectives and actions for the next year were set. In 2005, a short environmental report of eight pages (as opposed to 28 and 18 before) with basically the same issues was released. From 2006 onwards, the ‘Corporate Social Responsibility’ and ‘Sustainable Development’ reports gained steadily in amount, 24 pages in 2006 and 60 pages in 2010. Though the table of contents divides the topics in a different way on the first view, the structure essentially remains very similar throughout time, giving first of all insights into the company’s business and stakeholder engagement. That is usually followed by environmental topics (climate change, clean air, noise reductions, managing in-flight waste, operations on the ground and biodiversity), safety, and contributions to the community, human resources, customers and

supply chain efforts. The latest ‘Sustainable Development Report’ from 2011 reveals a similar structure, but it is simply a copy of the website.

SAS published environmental reports since at least 1996 and continued so until 2000. The separate 2001 report is intentionally ignored because it is an unstructured copy of the website with sections following not in a logical order. Later on, it was included in the annual reports until 2010. Separate reports, this time ‘SAS Group Sustainability’ reports were published again since 2011. The first separate environmental reports followed a similar structure. After a general introduction about the SAS group, including several economic and environmental KPIs and introductory words from the group’s president, environmental data were presented, divided into total SAS, flight operations, cabin operations and ground operations. Thereafter, usually some pages followed about concrete projects and how SAS’s ‘environmental work’ had looked like. The scope of reporting increased from 56 pages in 1996 up to 70 pages the next year and dropped again to 52 pages in 2000. These early reports revealed three interesting features: the ins and outs of the airline’s operation (divided in flight operations, cabin operations and ground operations) were presented in an ‘environmental balance sheet’. This feature is has been kept until today’s sustainability reports and has been at some point enhanced by showing whose responsibilities these outputs are, SAS’ or the airport’s. Another feature was a status reporting on that year’s activities, listing priority areas with their progress during that year. In 2001 and 2002, SAS published a combined ‘SAS Group’s Annual Report & Summary of Environmental Report’, being replaced by ‘SAS Group’s Annual Report & Sustainability Report’ from 2003 until 2010. The scope of the sustainability part was usually around 20 pages and put behind the financial statements. Regardless of the eight years, the reporting structure remained stable when looking behind the headings of the table of contents. The first major component consists of explaining firstly SAS’s context (either titled ‘The world around us’ or ‘Our world – our stakeholders’) talking about the major challenges and stakeholders. The next component explains the ‘sustainable development work’, mentioning the dialogues with stakeholders and the three pillars, environmental, social and financial responsibility, which are constituting the next three components of SAS’s sustainability chapters. The final major component is the business areas, whose individual and aggregated results for the year are presented. Only in 2010, the results were presented in the previous three sections on environment, CSR and financials. With the appearance of the separate sustainability report, the annual reports have included only a four page summary of the sustainability report. Even though the SAS group has started to release these separate reports

with more than doubled scoped (64 pages in 2011 and 53 pages in 2012), the structure seems not to alter.

Airline	No significant alternations since	Comment
Aeroflot	2004	
Air Asia		Still changing
Air France-KLM	2009	
Atlas Air		Not reporting
Cargolux	2008	
Cathay Pacific	2006	
Delta	2010	
EasyJet	2010	
Emirates		Cannot be assessed because reporting started recently, data summary seems to be standardised
Jet Airways	2006	
JetBlue		Still changing
Lufthansa	2006	
Qantas		Still changing
Ryanair	2009	
SAS	2003	Since 2011 separate report but no big changes in structure (but amount)
Singapore Airlines	at least 2010	
Southwest	2009	
Tiger Airways		Not reporting
Transaero	2005	
United		Cannot be assessed because of recent merger and missing CSR reports

Table 4: Standardisation of Sustainability/Environmental Reporting within Airlines

5.1.4 Discussion on General Development of CSR Reporting Among Airlines

As already mentioned before, an illustration has been prepared to facilitate the understanding of the development (see Appendix). Generally, there are several observations that can be made regarding the general development of CSR reporting among airlines.

Sustainability Topics Have Received Awareness Especially During the Last Decade

The first major observation that can be made is that among airlines sustainability and environmental topics have got the awareness especially during the last decade. In the year 2007 and 2008, at least six carriers (Air Asia, Cargolux, JetBlue, Qantas, Transaero and Southwest) have started to report on CSR or environment, either in a separate report or in few paragraphs or sections in their annual reports. In Chapter 2, it is indicated that the Stern Review and the IPCC report, both from 2007, have generally had an inducing effect especially on environmental reporting. Even though the carriers have not started to report on purely environmental topics (with the exception of Southwest in 2007), the appearance of the two famous reports may still have induced this increased reporting on sustainability issues. The reason why almost all airlines have chosen or switched from environmental to

sustainability reports is elaborated in the next major observation. Because the Stern Review was prepared under the direction of an economist and not an environmentalist, the voice of parts of society that expressed an environmental awareness might have gained in legitimacy, making possibly the relevant groups rise from dormant to expectant stakeholders. This would suggest that at least these six airlines have started to report on CSR topics as a mean of satisfying these groups, implying stakeholder theory. But one question remains intentionally not answered in this thesis, namely whether airlines have actually started to do something in CSR areas or whether they have not reported their activities and effort before.

The next observation regarding the CSR reporting occurrence is the reporting prior that time. For example, Cathay Pacific and Singapore Airlines started to publish separate environmental reports in 2002 and 2003. Lufthansa and SAS have started even earlier, namely in 1995. It remains not clear whether before their merger Air France and KLM were reporting on these issues. But most likely they did. This leaves a conclusion that European FSNCs had been the first ones reporting on environmental and sustainability, even providing separate reports. The first question that appears is about the reason. Based on relatively strong empirical evidence, Leipold suggested the distinctive attitude towards environmental issues in the Nordic countries. This last aspect is also highlighted by a regulatory requirement of providing CSR information in Sweden, mentioned in Section 3.3. For this reason, the early environmental reporting of SAS may be explained by the Nordic culture. When it comes to Lufthansa, Leipold stated that the German carrier is generally known for its ability to predict trends in the future. But opposing to SAS, she suspects that it was more marketing driven in the case of Lufthansa. As one of the significant carriers worldwide and probably even the first carriers providing separate reports on environment or CSR related issues, they might have motivated other carriers like Cathay Pacific and Singapore Airlines to start doing something similar. This would imply mimetic isomorphism, but this statement is more speculative. It may be possible that European carriers have indeed been the first ones reporting on CSR topics. Nonetheless, making any inferences about possible correlations on regional differences in current CSR reporting is something one has to be very careful about, according to Leipold. She highlighted that the airline industry is a very international business, in which operations and the way of doing business is heavily influenced by international practice. And if one starts doing something, others will not wait long to follow this trend, indicating a general presence of mimetic isomorphism in the business. But maybe culture or the growth of airlines may be a more suitable variable to test the extent of CSR reporting.

Among the carriers that have started to provide separate reports, Emirates is the last one to follow. According to Leipold, there were most likely some non-governmental and non-regulatory forces pressing the Arab carrier to start publishing something about sustainability, which obviously led to the choice of an environmental report. She suspects that the intense growth of Emirates in the last decade led to neglecting these topics. And in the meantime, since all the big carriers (at least in the sample) provide a separate report, Emirates might have felt being behind, giving motivation for a separate report. This gives indications for a mimetic isomorphism process that might have been present in that case. Maybe this might also be an explanation why Tiger Airways is (at least still) not reporting, because it was incorporated in Singapore in 2007, thus being a young carrier and still focused on getting a foot into the market. For Atlas Air, a different reason is applicable. Maybe because it is mostly renting out its aircraft and crews to other airlines (in some cases even under their names), its name's low presence may be a reason for not feeling any pressure to legitimise its operations through CSR reports.

The illustration in the Appendix may lead to stating another possible correlation, namely that FSNCs may report more extensively than low-cost carriers, because mostly FSNCs have in the meantime started to provide separate reports. But regarding a correlation between the extent of reporting on CSR and business model, Leipold remains careful, too. During the interview, it was mentioned that the available resources and the availability of a dedicated department for these issues are of high significance. For the authors, this argument sounds entirely plausible. But maybe FSNCs are more willing to provide resources for such departments, a better logically assumed correlation that may be tested.

Preference for Sustainability Rather than Environmental Reports

The second major observation is a preference for sustainability rather than purely environmental reports. Environmental reports were provided only by five carriers, namely Cathay Pacific (2003-2005), Emirates (2010/11-2011/12), SAS (1995-2002) and Southwest (2007). Nowadays, only Emirates and Singapore Airlines keep onwards with environmental reports, while all other big carriers like Air France-KLM, Cathay Pacific, Lufthansa, SAS and Delta provide sustainability or CSR reports. The sample shows only a one directional switch, namely from environmental towards sustainability reports. Even though the sample reveals just three carriers (Cathay Pacific, SAS and Southwest) that have performed the switch, some possible well-grounded reasons for this phenomenon can be made. The literature review reveals that due to its nature, the environmental performance of the airline industry is not the best with relatively small steps of improvement. But on top, this is even worse perceived by

society. On the other hand, the economic contribution of airlines to the overall economy is huge. Connecting the world and enabling cross-country and even cross-continental businesses, hosting many direct jobs and inducing even more indirect jobs and the provision of training opportunities and so on show the industry's strengths in the economic and social dimensions. So, it is self-evident from a marketing perspective why to choose a sustainability report over an environmental report. Balancing out the highly negatively perceived environmental performance with extraordinary economic and social performance may be the reason for this phenomenon. This would imply that the carriers seek to change the perception of critics and align it with their current activities, indicating to repair or gain legitimacy. Thus, legitimacy theory may explain that development. But still, there are two carriers left with environmental reports. In their annual reports, Emirates and Singapore Airlines provide basically only few sentences about purely social contributions, disconnected with environmental contributions. It remains entirely questionable why both carriers have chosen to stick with purely environmental reports.

Trend towards Separating Financial Reports from CSR Reports

The third major observation that was made is a trend towards separating financial reports from CSR or environmental reports. As mentioned in Section 3.3, this point was already observed on a more general level by KPMG (2011a, p. 22) and can also be confirmed for airlines even over a longer time period. When Emirates has lately started to report on its environmental efforts, it has published separate environmental reports. The same goes for Southwest. Carriers that have already reported for some time, such as Cathay Pacific, Air France-KLM and Lufthansa have kept these issues in a separate report. Air France-KLM has even completely banned any summaries from its ordinary financial report, making it a purely financial report. SAS has included its environmental/sustainability reports in its ordinary annual reports for ten years, making the switch to a separate report in 2011. Also, all US carriers reporting on CSR publish separate reports. A reason for the US carriers may be that they have standardised annual reports in form of the so-called 10-K Form, which they have to file to the SEC each year. Still, US carriers could do it the way Delta did it in 2004, adding a section before the official 10-K Form in their report, but they do not. All the carriers which have not started to provide separate reports yet, have usually few paragraphs or few pages, which would legitimise a separate report. A notable exception is Cargolux, covering 30 pages on sustainability in its last report. The reason for separating sustainability and financial reports may be the company's ability to clearly focus on a certain target audience. During the expert interview, Leipold expressed the same opinion about such a trend and reason.

Content Increases but Carriers Go Their Own Way

The last major observation made is that the majority of carriers have increased their number of pages on CSR and have stopped to alternate significantly their own reporting structures. Yet, as already observed by Heeres *et al.* (2011), cross-sectional comparison is not achieved. Combining these two observations, an interesting conclusion can be made, namely that comparability is not foreseeable in the near future. Firstly, the structure of the documents is different. Carriers report basically their own way and the reader cannot directly or easily compare each carrier one-to-one. When performing the analysis, also 10-K forms of US carriers were scanned. These reports are highly standardised and are much easier to compare. Secondly, certain features that could help the reader to compare the different carriers' CSR activities are done by only few carriers. For instance, a carrier's goals, activities, their progress and achievements of CSR related activities could easily be summarized in tables and thus facilitate the identification of a carrier's efforts. This has been done by Qantas in its latest separate sustainability report, Air France-KLM, Cathay Pacific and SAS. But in its latest report from 2011, Air France-KLM has provided different tables with only objectives and main achievements of the year, without any status reporting, as the carrier used to do. Cathay reduced it to a listing of key issues raised by stakeholders. Another good example is the presentation of key measures. However, that is discussed in the next section of this chapter. But this small example above shows that even though the structure of the reports may have standardised for the individual carriers, small aspects of reports may vary. Even though a feature like the above explained summary and progress reporting of activities may have established, its presentations vary, making the reading and longitudinal comparisons of reports over time not easier. A further interesting observation is the environmental balance sheet that has been included by SAS since at least 1996 until today. Such a concept could actually be the environmental equivalent of the financial balance sheet, making the company's environmental performance more transparent. But this listing of resource inputs and the outputs (environmental impact) has not been adopted by any carrier until now and SAS has not changed the presentation of it significantly over time. So, a concept that could potentially compare different companies' operations has not developed and seems to be not in development. A reason for not finding efforts of either standardising the reporting structure or certain reporting features among carriers is probably the lack of willingness to make reports comparable. That is also shared by Leipold. If comparability is anticipated, the carriers' operations would become more transparent. And through facilitating benchmarking among

carriers, consequently pressure would be increased which is not anticipated. And according to her, only political forces could lead to a true standardisation of CSR reporting.

5.2 Development of Reporting on Stakeholder Involvement

This section does not aim to describe in detail every type of stakeholder group and the methods of engaging these in the process of CSR reporting. Like all other parts, the aim is to provide a general account of whether airlines have started to engage their stakeholders and how they mention their stakeholder engagement. The scope ranges from airlines mentioning no stakeholder involvement to airlines providing tables with stakeholders including ways of engaging these groups.

Airline	Stakeholder involvement mentioned for the first time	Comment
Aeroflot	-	Not mentioned
Air Asia	-	Not mentioned
Air France-KLM	at least 2005	Stakeholder engagement listed
Atlas Air	-	Not mentioned
Cargolux	2008	Only mentioned
Cathay Pacific	2003	Stakeholder engagement listed
Delta	2009	Stakeholder engagement listed
EasyJet	2007	Only mentioned
Emirates	-	Not mentioned
Jet Airways	-	Not mentioned
JetBlue	2009	Encouraging communication
Lufthansa	at least 2006	Stakeholder engagement listed
Qantas	2009	Only mentioned
Ryanair	-	Not mentioned
SAS	at least 1996	Stakeholder engagement listed
Singapore Airlines	2012	Only mentioned
Southwest	2011	Encouraging communication
Tiger Airways	-	Not mentioned
Transaero	2009	Only mentioned
United	at least 2010	Only mentioned

Table 5: Mentioning Stakeholder Involvement the First Time

5.2.1 Airlines Involving No Stakeholders

Among the 18 carriers reporting or at least mentioning CSR, environmental or sustainability topics in their reports, there are five airlines that do not mention anything about stakeholder involvement. These are Aeroflot, Air Asia, Jet Airways, Ryanair and Emirates. These carriers either mention nothing (e.g. Jet Airways) or they make it clear that the role of the stakeholders is passive in the airline's CSR process. One example is Aeroflot, which only in 2009 mentions that the "regular provision of information to all stakeholders" (Aeroflot, 2009) is vital. Another example is Ryanair's letter from the CEO, saying in one year that the stakeholders

“may rest assured that everything we do here on a daily basis over the coming year - will be dedicated to maintaining and improving this exceptional performance for all of our stakeholders.” (Ryanair, Annual Report 2003) On a regular basis, Air Asia thanks explicitly not only its shareholders, but its stakeholders for their support. With regard to the preparation of its first environmental report, Emirates mentions that the report *“has been prepared by environmental and aviation professionals”* (Emirates, Annual Report 2010/11). These are the closest statements in the carriers’ reports on stakeholder involvement.

5.2.2 Airlines Mentioning Stakeholder Involvement

Some carriers mention the fact that they involve some stakeholder groups in their reporting process. Eight of the total 20 airlines mention that they involve stakeholders. Some of these also mention few examples, however, not making a detailed listing of each stakeholder group and the method of engagement.

TRANSAERO, as opposed to the other Russian carrier in the sample, starts to mention from 2009 that it sees the maintaining of *“a continuous dialogue with stakeholders, including consumers, employees, partners, government agencies, regulatory organizations, shareholders and local communities”* (Transaero, Annual Report 2009) as part of its social responsibility.

EASYJET has mentioned that it is engaging its employees already in its first reports and from 2008 with a brief explanation on how. From 2007, EasyJet also mentions that it *“sits on the climate change working group of the Sustainable Aviation group in the UK”* (EasyJet, Annual Report 2007) cooperating with environmental groups like WWF. In 2008, also a consultation with Eurocontrol (the European Air Traffic Control Provider) mentioned.

JETBLUE stated in two earlier reports that stockholders *“may communicate with our Board of Directors by sending a letter to the JetBlue Board of Directors”* (JetBlue, Environmental and Social Report 2008/09 and 2010/11). Thus, the carrier tries to encourage stakeholders to take initiative to contact the airline. The term ‘stockholders’ was replaced by ‘stakeholders’ in its latest ‘Responsibility Report’ of 2012.

SOUTHWEST has engaged an energy infrastructure specialized company to gather information for its first report in 2007. The source of information was basically Southwest’s staff, ranging from operational to administrative staff but no external stakeholders. From 2011, Southwest states to seek involvement and feedback from its stakeholders, being employees, customers, shareholders, communities served and suppliers. Their suggestions may for instance be communicated electronically by e-mail or by messages posted on the airline’s Facebook page.

SINGAPORE AIRLINES also states to welcome feedback about its environmental report. Specific form of stakeholder involvement is mentioned in two of their three available reports, both times in connection with development of new technology to improve the company's environmental performance. In its environmental report from 2011/12, the airline specifically mentions "*airlines, manufacturers, fuel suppliers, airports, and air navigation service providers*" (Singapore Airlines, Environmental Report 2011/12).

UNITED mentioned to "*regularly reach out to customers, employees and other stakeholders including policy makers, community members, investors and interested organizations to gain feedback on how we're doing*" (United, Corporate Responsibility Report 2009/10), while Continental mentioned nothing on this topic. The first report after the merger reveals to have taken over United's practice, but with no more detailed explanation of the ways of engagement.

CARGOLUX mentions no more than "*an ongoing dialogue takes place with these groups, rough public meetings, direct representation or via the media. Regular meetings also take place between Cargolux top management and its employees, which include open questions and answer sessions.*" (Cargolux, Annual Report 2008) This has been mentioned in the sustainability parts of its annual reports from 2008 onwards.

QANTAS is also not providing more information than being engaged with a range of stakeholder, not even mentioning that in subsequent reports.

5.2.3 Airlines Explaining Stakeholder Involvement

There are five airlines in the sample that go beyond simply mentioning that they are involving their stakeholders in some way. Air France-KLM, Cathay Pacific, Delta and SAS list or at least have started to list stakeholder groups including the ways of how these are engaged.

AIR FRANCE-KLM makes only a general statement of engaging itself in dialogues with stakeholders in their first joint sustainability report from 2004/05. Afterwards, all reports contain a table with stakeholder groups and examples of mutual communication channels. In the meantime, this table has evolved to a more detailed one, including additionally main engagement topics and the outcomes of the consultations.

DELTA basically mentioned some internal and external stakeholders that it was engaging including only one sentence with examples of engagement methods. This was in its 2009 and 2010 'Corporate Responsibility Report'. From 2011, the American carrier has started to list stakeholder groups in a table (government, environmental NGOs, investors, customers and community) with a paragraph of explaining the way of engaging each of the stakeholder groups.

LUFTHANSA had also provided a table (in 2007 a chart was used) with stakeholder groups (customers, employees, shareholders and analysts, neighbours and local communities, science and education, politicians and authorities, suppliers and contractual partners and finally NGOs) and the types of engagement between 2007 and 2009. Afterwards, the German carrier has only mentioned the stakeholder groups in a chart.

CATHAY PACIFIC's environmental reports in 2003 and 2004 mention that the *“Dialogue with our stakeholders is something which we will continue to develop and extend as we seek to gain a better understanding of our priorities”* (Cathay Pacific, Environmental Report 2004). In the first two CSR reports in 2006 and 2007, dialogues with stakeholders and examples of engagement methods were briefly mentioned. The next two reports included a table with stakeholder groups (customers, employees, local communities, suppliers, business partners, NGOs, investors and their advisors, government and their regulators and finally experts) and major mutual communication channels were listed. The latest report of 2011, this table has been enhanced by listing more engagement methods and also common important issues to the individual stakeholder groups.

SAS has a similar evolution. In its first separate environmental reports (1996-2000), SAS had written generally about cooperation with stakeholders. Then until 2005, still this is kept the same way, however, a table with SAS Group's social responsibility issues informs about the status of stakeholder cooperation or involvement. Afterwards, SAS has always included a table or another illustration of individual stakeholder groups (employees, customers and contract customers, investors and financial analysts, authorities, suppliers, manufacturers, partnerships and networks, NGOs, organizations, mass media, and finally schools and universities) including some examples of dialogues being performed with the relevant group.

5.2.4 Discussion on Development of Stakeholder Involvement

The sample reveals that 11 of the 18 carriers reporting or mentioning CSR topics in any of their reports are at least mentioning that they involve stakeholders. But there are only five carriers (Air France-KLM, Cathay Pacific, Delta, Lufthansa and SAS) that not only mention but also explain how they perform their dialogues with the stakeholders. All of these carriers do it already for some years and it can be observed that exactly these carriers provide separate and more extensive CSR reports than other carriers. And such a correlation would logically make sense: the higher the stakeholder involvement, the greater is the reporting extent, because more opinions, views and suggestions are considered. And certainly, such a correlation could not only be applicable for the airline industry. However, the authors would like to highlight that this is only an observation without making definite statements.

Some carriers make general statements that they communicate with stakeholders like Cargolux, EasyJet, Transaero and Qantas, or they encourage communication like JetBlue and Southwest. Therefore, it can be expected that these carriers keep the stakeholder communication to a minimum or even try to avoid it by being passive as the two American carriers. And this has not changed since their beginnings of mentioning these aspects. Those who do not mention stakeholder involvement in any way can also actually be considered not to involve any stakeholders, according to Leipold. And it can be observed that carriers like Aeroflot, Air Asia, Jet Airways and Ryanair that obviously do not involve stakeholders in their CSR reporting process do report only few pages on CSR related issues. This brings it back to the aspect of dependency of available resources and dedicated departments for CSR related issues. It can be expected that the presence of dedicated departments for CSR issues may enhance stakeholder engagement. However, this is not scrutinised in this thesis.

Comparing the presentation of how carriers report on stakeholder involvement, the impression arises that the five carriers on top are the only carriers having a pro-active approach towards stakeholder communication. But the majority of the carriers seems to be either passive (e.g. waiting for feedback like JetBlue and Southwest) or include only very few stakeholder groups like employees or suppliers, which is not uncommon for companies nowadays and thus not a significant step towards stakeholder inclusiveness. And having checked all available subsequent reports of the carriers, it can be said that there is no observable progress in the area of stakeholder involvement among the carriers not assumed being pro-active in that aspect. Hence, an improvement towards higher stakeholder inclusiveness is not expected to occur, resting on the status quo in the near future.

5.3 General Development of Presenting Sustainability Measures

Another aspect whose development is to be studied is the presentation of sustainability measures. As the previous differences may expect, the scope of presenting sustainability measures is diverse. There are carriers that basically present no measures. Others present only few charts of which some are not regularly presented. There are also companies which provide data summaries or/and present even measures for each dimension of their reporting, e.g. financial, social and environmental.

5.3.1 Airlines Providing No Measures

Three companies that report on sustainability topics have not developed any figures in their sustainability sections. Air Asia, Jet Airways and Ryanair have provided no sustainability figures until now. In the case of Ryanair, it was observed that the very few included charts

were from third parties and were presented only once. In general, the only neglectable exception with regard to provision of social related KPIs is the provision of number of employees and mentioning some numbers in their paragraphs, e.g. amounts donated.

5.3.2 Airlines Providing Few Sustainability Measures or on a Sporadic Basis

TRANSAERO only published the number of staff on payroll from 2009 until 2011. Only in 2008, a table was included on the company's social programs, including for instance number of employees using right for service flights and number of employees using cellular services at corporate rates. So in all its accessible annual reports, Transaero has at least not published any CSR measures that it would provide to the public on a regular basis.

AEROFLOT has disclosed only few typical employee and training related measures such as average headcount, number of training events. But only average number of personnel seems to have established as the only measure to be reported every year. In 2008, charts on social (average overall pension and cost of social package per employee) and environmental measures (payments for negative environmental impact) were provided. The first one reoccurred again in the airline's last report in 2010, indicating Aeroflot's lack of consistency when reporting measures. The Russian carrier always provided only few measures and neither diversity nor emission related measures have been provided until today.

EASYJET has used few charts or tables to convey its most important measures. In 2005 and 2006, the British low-cost carrier has published few charts that have been reported on a regular basis (e.g. employee distribution among countries and CO₂ emissions (g) /passenger km). Throughout time, more charts were provided on a sporadic pattern or even presented only once. Lately, EasyJet has included charts on diversity, women in senior management and total. Because it was done in 2012, it remains open whether these measures will establish as permanent measures.

SOUTHWEST's reporting on measures can be characterised by a lack of comparability throughout time and a relatively high rotation, especially at the beginning. The first measures that were presented in its first environmental report in 2007 were focused on GHG emissions and energy recovery incl. recycling. No previous year comparison was given, probably because it was the first data collection ever (performed with the help of a third party as mentioned in Section 5.1.3). In the following year, not all the same measures on energy recovery and recycling were provided, excluding a previous year comparison and the GHG emission measures were substituted by one different measure. From 2009 onwards, Southwest provided ten-year overviews of its financial results, social ('Our People') and environmental ('Our Planet') measures. The social and environmental measures had no previous year

comparison. In 2010 and 2011, generally more charts and tables are provided with the same content and having two/three previous years included for comparison. But even though charts and tables have started to become consistent over time, one interesting observation what can be made is the missing relation of some measures. For instance, Southwest reports on recycling trend, depicting recycled waste in absolute terms. But these numbers are not put in relation to the total waste generated, thus stating nothing about the airline's waste production efficiency. This is a general observation made with some measures.

JETBLUE's first 'Environmental and Social Report' from 2007 does contain almost no charts or measures. The major table lists direct emissions, which is one of three scopes in a developed emissions reporting scheme by the World Resource Institute (WRI). Only in the latest report in 2012, it is added by the second scope, namely the indirect emissions. The next three reports (2008/09, 2010/11 and 2012) contain charts and tables on four categories, being economic, employees, safety and environment. Though, some charts remain throughout all reports with eventually changing the way of presenting them. For instance, a chart on crew member turnover divided among age groups misses the age group 50-59 in 2010/11, after introducing it in 2008/09. In 2012, the age group division has been changed, but providing data on the previous two years. Less significant but also an example of a change is the change of presenting the provided safety measures by the US government into a table in 2012. But as opposed to Southwest, JetBlue usually includes previous year's comparisons. But when it comes to recycling measures, the same observation regarding the missing relative perspective at Southwest applies for JetBlue. This has not been attempted to be disclosed in the available reports.

5.4.3 Airlines Providing More Extensive KPI Reporting

CARGOLUX had provided almost no sustainability related measures before initiating its sustainability section in 2008. From 2000 until 2002, the Luxembourgian carrier reported on its approximate contribution to the Luxembourg economy in monetary terms. From the beginning until now, the number of employees was consistently reported. From 2008, the sustainability section contains charts and tables on environmental and social measures that were consistently used in subsequent reports. From 2010, Cargolux added new tables almost every year in each category, which were also used in following years. This has made it easier for the reader, since the way of presenting these measures is almost never altered and providing the same measures makes it even easier for the reader to read subsequent reports.

AIR FRANCE-KLM has provided environmental and employment data from its 2005/06 report until its latest CSR report in 2011. Also the reported measures have basically remained

the same in the following years. For some years, KPIs such as headcount, new recruitments and leavings, absenteeism were further differentiated between ground staff, cabin crew and cockpit crew. The major change that has occurred throughout time is their presentation according to airlines and subsidiaries. In the 2005/06, this data was presented for Air France, for KLM and for all other subsidiaries. In the next report (2006/07), it was further differentiated between Air France and KLM subsidiaries. The next report (2008/09) additionally included an aggregation for the entire Air France-KLM group. In its latest report, the above mentioned distinction between ground staff, cabin crew and cockpit crew has been removed, keeping higher level aggregated data. Another interesting observation is that KLM and both airlines' subsidiaries do not report on all these KPIs. In its environmental data, basically the airline group has always reported on the same KPIs as well, which are divided into air operations (fuel consumption, emissions and noise impact) and ground operations (water and energy consumption, emissions, waste and waste water). The group provides aggregated group data and data on Air France and KLM individually. From 2008/09, not only the aggregated data provide two previous years comparisons but also Air France and KLM specific data are enhanced with the possibility of comparing with two previous years. As opposed to the social data, no separate data is provided for the subsidiaries. It has been done in 2010/11, but that presentation has been removed in the latest report from 2011 again. Concluding, it becomes obvious that even though the measures itself do not change, dynamics are still present until now regarding the way of how data is presented in the data summary's tables.

CATHAY PACIFIC provided data summaries already in its first environmental reports (2003-2005). The measures in the data summary have been categorised into 'Fuel Consumption/Efficiency and Air Emissions' and its headquarters 'Cathay Pacific City'. With exception of the year 2006 (exceptionally short environmental report), the environmental measures have been continued consistently in the CSR reports until 2011. One of the few but very interesting additions initiated in 2008 were for instance the inclusion of purchased printer cartridges, purchased town gas and share of paper recycled versus consumed. This allows to assess Cathay Pacific's efficiency in its efforts, however, not all measures include that, for instance aluminium cans recycled and plastic recycled remain sole without relative comparison. From 2007 until 2011, Cathay Pacific has also published basic economic results such as direct economic value generated, distributed and retained. From 2008, the carrier has also started to provide a 'Social Performance Table', which has no previous year comparison

in the first year of reporting but in the later years. Obviously, that is a result of first time reporting.

DELTA's first report in 2009 includes data sheets on its environmental and economic performance. In addition, some employee related data is published in tables. The financial performance data is continued consistently until Delta's latest report in 2012, with adding fuel hedge impact from 2011 onwards. In 2010, the environmental performance statistics are augmented by 'treatable industrial waste water' (in gallons). Another table is provided with Delta's mainline fleet performance depicting absolute emission amount and relative emissions amounts (for instance revenue passenger miles/gallon and kg CO₂e/100 revenue passenger miles). This chart includes a previous year comparison, but it is the only year in which it occurred. From 2010, a safety related table was added including the number of safety representative for important operation related departments. In 2012, the sheet on environmental performance statistics has been separated and the relevant measures have been included in the relevant sections of the report, but including only facility air emissions and spills while excluding waste measures (depicted in a chart) and noise compliance.

EMIRATES provides in its environmental report a page on financial performance data and another page on environmental performance data. The financial performance data provide the financial and operational highlights. The environmental performance sheet divides the performance measures in four categories: Emirates Airline, Emirates Group, Emirates Group including Ground Operations and Emirates Group Ground Transportation. When it comes to the ground operations, two interesting observations can be made. Firstly, Emirates provides a measure on recycling rate compared to the total waste, which has not been observed at other carriers. Secondly, some measures such as electricity and water consumption are augmented by associated CO₂ emissions. As opposed to the environmental performance sheet of 2010/11, the latest one from 2011/12 provides a previous year comparison, obviously a result of first time reporting.

LUFTHANSA summarizes its key sustainability measures, which are consistently presented at the beginning of its 'Balance' reports since at least 2006. The German legacy carrier divides the performance measures into four categories: key business performance data, key personnel data, key environmental data and transport performance data. In its report, Lufthansa has also included a fleet overview, providing noise related data for each aircraft type in Lufthansa's fleet (with exception of 2010). The graph depicts how much in percentage the aircraft noise of the aircraft types are below a certain noise limit (reference is made to the so-called ICAO Chapter 3 noise limits). Other carriers providing noise related information,

like Emirates and United provide only the share of fleet complying with ICAO Chapter 3 requirements. Moreover from 2007, the German carrier has provided specific CO₂ and NO_x emissions (kg/100 passenger km) for each aircraft type. These measures were provided in percentage, comparing with future ICAO limits.

QANTAS has started with performance measures on environmental impact and its employees when it initiated its sustainability section in its annual reports. In 2008, health and safety plus economic contribution have been added. In 2010, customer related measures and two financial related measures were added, resulting in six categories in total. Dynamics can be found in the details for instance are health and safety measures entirely changed from 2011 onwards. Also the measures on unplanned events (# of fuel jettison events, # of fuel spills events) have been removed since 2010. In 2011, the presentation of KPIs was also reorganised, splitting the six categories and providing for each measure brief explanation and a reference to the GRI indicator used. The latest annual report from 2012 contains basically the same presentation of KPIs as of 2011, possibly reaching a point of internal standardisation.

SAS' first separate environmental reports contain a standardised presentation of environmental statistics. As already mentioned in Section 5.1.3, the structure was divided into flight, cabin and ground operations. Statistics, mainly in form of charts were presented for SAS in total (reduced to environmental index in 2000), flight operations (Noise emissions, fuel efficiency and aircraft fleet), cabin operations (waste, consumption of raw material and energy) and ground operations (waste, consumption of raw material, consumption of chemicals and energy consumption). When SAS was publishing its annual reports with a summary of its environmental report, the carrier reported on some human resource data and on environmental data in the environmental section. The environmental KPIs were presented according to the individual groups, namely SAS Airline, subsidiaries and affiliate airlines, airline related businesses and SAS Hospitality. In 2002, SAS also reported some group aggregate KPIs and added metrics in almost all categories. From 2003, when SAS published its annual reports with a summary of its sustainability report, the HR metrics were integrated in the individual business units. Enhancements that were made were for example extending the amount of group aggregate metrics and sustainability-related investments have started to be quantified. With the separate sustainability reports from 2011, SAS has increased the provision of environmental metrics, not different but being more detailed about the individual group airlines. For instance are metrics (jet fuel used, CO₂, NO_x, HC and aircraft noise at take-off) for SAS Airlines divided not only into their Norwegian, Swedish and Danish units.

A separate section on intercontinental traffic is also provided. Another enhancement is the augmentation of these absolute emission figures with production input figures. In other words, SAS attempts in detail to provide efficiency figures on each metric. For its subsidiary airlines (Widerøe and Blue1), SAS applies this concept as well. The basic KPIs such as the jet fuel used, the individual emissions and aircraft noise are also disclosed, but some additional environmental KPIs are disclosed. For Widerøe, even figures on energy consumption, water consumption and waste figures are not only presented in total, but also for the carrier's individual stations in Oslo, Sandefjord and Tromsø. No other carrier has developed such a detailed environmental KPI reporting and this has been kept in 2012 as well, expected to continue.

SINGAPORE AIRLINES has only made accessible its environmental reports from 2010 until 2012. During that time, the carrier has provided a page with its environmental KPIs. During that time, no change has occurred, indicating an already highly standardised environmental KPI reporting. In that summary, Singapore Airlines provides operating statistics, fuel productivity and CO₂ emissions and resource consumption. In its environmental report, all tables and charts (fuel productivity, fleet age, local air quality, energy and resource conservation) provided are also kept unchanged during the three years.

UNITED's development cannot be followed that much as of the other carriers, as already mentioned in Section 5.1.3. But the merger with Continental reveals something interesting. While Continental has previously provided only a purely qualitative 'Global Citizenship Report' (2010), United's CSR report provided several metrics in a data summary on business (workforce related data), community and environment. In their first merged report, basically United's reporting with few alternations has been adopted and its basic structure most likely kept for the future.

5.3.4 General Observations on Cross-Sectional Comparability of Disclosed Measures

Many carriers provide data on fuel consumption and fuel efficiency even some that do not provide extensive amount of measures. Fuel consumption can be expressed either in weight units or in volume units. The basic calculation of fuel efficiency is emissions per unit transported over some distance. In theory, the numerator and denominator can be different. The numerator can be either CO₂ or CO₂-e (CO₂-equivalent, expressing the impact of all GHG emissions in terms of CO₂). The denominator can be expressed in available seat kilometres (ASK), revenue seat kilometres (RSK), passenger kilometres transported (PKT) or instead of seats in tonnes, which would be more suitable for Cargo airlines. And in practice, the use of these different possibilities is made. For example, Qantas reports the fuel consumption in

litres since 2007 and fuel efficiency in CO₂-e in kg per 100 RTKs since 2010. Before, it reported on CO₂ in kg per 100 RTKs and NO_x in tonnes per 100 million RTKs. Since at least 2006, Lufthansa discloses fuel consumption in kg and each emission component is disclosed separately, namely on kg CO₂ per 100 PKT, g NO_x per 100 PKT, g CO per 100 PKT and g UHC per 100 PKT. Similar to the German legacy carrier, SAS is reporting fuel consumption in kg and reports individual GHG emission components. But opposed to Lufthansa, SAS recognizes only CO₂, NO_x and HC and reports all in g per PKT. Singapore discloses fuel consumption in American gallons and in contrast to other carriers only CO₂ related measures, for instance CO₂ in kg per load tonne kilometre which is an equivalent to RTK. And this has remained unchanged since at least 2010. Another good example is United's latest CSR report. There, fuel consumption is as expected disclosed in gallons and fuel efficiency in gallons per RTM (revenue tonne miles). These details regarding the different units are also mentioned by Heeres et al. (2011).

Few carriers have also provided measures on fuel jettison incidents (dumping fuel during flight). Until 2009, Qantas has reported the amount of fuel jettison events and the amount of fuel spills. Since its first environmental report, Emirates reports not only on the amount of fuel jettison events, but also on the amount of fuel 'jettisoned'. In that case, this reporting could not even be compared because of missing time overlap.

Few also provide measures on noise. This, however, is done in different ways as well. In its both environmental reports, Emirates discloses noise efficiency factor during take-off and landing (both in dBkm² per TK a result of a certain formula) and a compliance share of its fleet with the ICAO Chapter 4 noise standards. SAS reports firstly the total yearly square kilometres affected by 85dba. Later, it divides this by the amount of departures to get the size of the area being affected by 85db per departure. This measure is used since at least 2004. After some deeper research regarding the calculations, it remains questionable whether this measure is equivalent to the one of Emirates. In 2009/10, United only mentioned the American and ICAO compliance level (ICAO Chapter 4), which it did not in its data summary in the subsequent report after the merger with Continental. Another example of quantifying noise measures is presented by Lufthansa, which has not reported any noise measures in its data summaries. With exception of 2010, it has provided a bar chart listing all aircraft types in the entire group and their margins below the noise limit of ICAO Chapter 3.

In some cases, direct economic value generated, economic value distributed and economic value retained is disclosed. When it comes to the direct economic value generated, Cathay Pacific reports not only the turnover (or revenue) but also finance income, surplus on

sales of investments, gain on deemed disposal of an associate and share of profits of associated companies. On the other hand, Delta only reports revenue. Comparing the sub-categories under economic value distributed, there are some overlaps in the categories, but also some differences. While Cathay Pacific divides economic value retained into depreciation and profit after dividends, Delta puts net profit and operating profit under this point. To calculate its economic contribution, Qantas computes tourism spending by Qantas Group passengers and indirect economic contribution, creating no overlaps with the previous two carriers.

5.3.5 Discussion on General Development of Presenting Sustainability Measures

The previous analysis was supposed to scrutinise the reporting on sustainability measures on the qualitative characteristic comparability. Like in the previous sections, several interesting observations can be made.

Airlines Have or Still Put Efforts into Making Their Own Measures Longitudinal Comparable

When it comes to the development of sustainability KPI reporting, it becomes obvious that no strong development is taking place. For instance carriers that provide data summaries of their KPI measures, they seem to have reached a point of maturity, with only few minor adjustments throughout time. For example in the case of Air France-KLM, the social related measures have experienced some alternations. While keeping the basic KPIs, their depth has been removed, not providing the measures for individual employee groups anymore. Smaller alternations may be a result of consultations with stakeholders which may not require such in-depth measures. In the case of Cathay Pacific, Emirates, Lufthansa, and Singapore Airlines, it can be stated that their KPI reporting comparability has successfully been achieved by always providing consistent data summaries with no or few enhancing changes. SAS, Cargolux and United seem as well to have longitudinally standardised their reports. In the case of SAS, there was a significant change between 2010 and 2011, namely the switch to a separate report. The Scandinavian carrier used this more space for more details and further breaking down the measures on which it previously reported. Because of the highly standardised KPI reporting prior 2011, it is expected that its current detailed KPI reporting from 2011 and 2012 will not change in the near future. Even though Cargolux does not provide a data summary on a page or two as the other carriers do, its reporting has also standardised and from the current development, additions are expected while generally keeping the current charts and tables.

Since Qantas beginnings on a separate sustainability section, the sustainability KPI reporting has experienced some changes. However, it makes the impression that Qantas has tried to find its optimal way of reporting sustainability KPIs which has led to changes in the

way the KPIs were presented. The efforts generally add value, for instance providing explanations for the development of each KPI. But it seems that Qantas' sustainability KPI reporting will not experience further noteworthy changes.

Because Southwest's last two reports are similar, the carrier seems to have also started to make their measures more comparable. While in 2010 many charts included no previous year comparison, the same charts include this in 2011, indicating efforts towards making its reported measures more comparable over time.

So generally, it becomes obvious that no significant changes are expected among these carriers' reporting on sustainability measures. But also the development at those carriers not reporting like Air Asia, Jet Airways, Ryanair and carriers providing only few measures or on a sporadic basis like Aeroflot, EasyJet and Transaero gives no indications about a change towards providing either data summaries or providing measures on a regular basis in the near future. Like the previously mentioned carriers, they seem to rest on their laurels.

Efficiency Improvements Can Often Not Be Determined with the Provided Measures

In general, measures are provided in absolute terms and without any additional indicators to determine the development of efficiency. This is especially the case of data on waste. While Cathay has started to provide additional measures, namely purchased printer cartridges, purchased town gas and share of paper recycled versus consumed, Emirates has provides a measure on its recycling rate versus the total waste. These are exactly the necessary attempts to make the carriers' environmental performance more transparent, but they are slow and minor. Since Cathay Pacific has not made further efforts since then, it can be expected that it will not change in the near future. When it comes to emissions, this has to be seen in relation to the production input as well. Those reporting more extensively provide production input, emissions and the fuel efficiency measures. Here, SAS seems to go a step forward in its new separate sustainability reports providing detailed tables putting production input (e.g. PKT) next to the absolute emissions and computing the emission efficiency, providing also previous years comparisons. Such a detailed table may look very comprehensive on the first sight. But once the table is understood, it quickly allows determining the efficiency development compared to the previous year. Even though carriers may provide these measures, SAS is the only one which has achieved to present them in such a logical way. With exception of SAS, there have not been any radical steps towards giving clear overviews of efficiency improvements and it probably will not in the near future. This observation has also been made by Leipold who adds that carriers are not interested in making their operations even more transparent as mentioned already in Section 5.1.4.

Efforts towards Enhancing Direct Cross-Sectional Comparability Are Not Visible

And this obvious attitude, namely resting on one's laurels is obviously the major barrier towards making the reports comparable on a cross-sectional basis. The underlying research reveals two major reasons for the absence of comparability.

Firstly, Section 5.3.2 and 5.3.3 clearly show structural problems. On the one hand, some carriers like EasyJet and Southwest focus on providing charts and tables, while some others provide data summaries like Cathay Pacific and Lufthansa. The reader needs to spend some time in order to find the equivalent measures in other reports, if existent. And the above discussed observation clearly indicates no convergence development. On the other hand, even if data summaries are provided by carriers, the grouping of sustainability measures is different with different amounts of KPIs. And also here, no convergence trend is visible.

Secondly, Section 5.3.4 depicts just few examples where the same measures are presented differently. But only the simple example of a simple measure, namely fuel efficiency makes it very obvious that carriers are far apart from providing even comparable measures. And also the extent of providing sustainability measures differs. While Lufthansa and SAS report on the individual GHG emission components, Singapore provides only data on one component, namely CO₂ emissions. And neither for this is a converging trend visible.

Possible Correlation between Concentration of Operations and Extent of Reporting

The results show that mostly network carriers provide extensive reporting on sustainability measures. Besides disclosing explanatory charts in the reports, they also provide data summaries, in which the most important measures are grouped in an individual way. With exception of JetBlue and Southwest, all airlines that publish separate reports provide relatively extensive KPI reporting. One possible rather self-evident correlation is that the more extensive the general CSR reporting, the more extensive is the KPI reporting. Or is the extent of KPI reporting actually a matter of business model?

As already stated in Section 5.1.4, Leipold mentioned that one should be careful regarding such correlations. But taking the general development of CSR reporting together from Section 5.1 with the development of reporting on sustainability measures from this part (Section 5.4), the authors believe that a correlation might exist. What do the carriers that report more extensively have all in common? Their operations are highly concentrated on one or very few airports. Naturally, this is the key aspect of the business model of a network carrier. Even if not to such an extent, the cargo carrier Cargolux has such a characteristic, while Atlas Air does not report anything CSR related. And Atlas Air is mostly operating for other carriers, being most likely not that much present at its home airport in Miami as

Cargolux is. For a stronger support, it would be ideal to have more cargo carriers in the sample to strengthen the hypothesis on the correlation. But as discussed in the methodology chapter in Section 4.3, there are not many fully independent cargo carriers to analyse. With regard to such a possible correlation, there is at least one restriction that the authors are certain of. Such a correlation would most likely be valid for carriers from a certain size. For operations that are highly concentrated but operate smaller regional aircraft only or/and a small fleet, this correlation would certainly not be applicable. And the larger the carriers operations in conjunction with a larger operation, the larger the perceived impact and pressure may be, which may force the carrier to legitimise its operations, implying legitimacy and stakeholder theory. The authors are highly aware of the fact that in case of performing research on such a correlation, both dimensions would have to be much clearly specified.

Such a correlation may also be the result of mimetic isomorphism, trying to imitate global competitors in Europe which seem to be the first ones in CSR reporting. While for European carriers such a correlation may have been applicable or still is, other global competitors may have simply copied their practice. Arguments for such a version are the different regional contexts. While political pressure may be higher in Europe, such pressure is certainly not existent in the case of Emirates and Singapore Airlines, where the state owns a significant stake in these carriers and gives limited democratic rights to its citizens. In order to determine this, the real reasons why the different carriers have started to report more extensively in CSR related issues would have to be found out. And without insider connections, this is certainly impossible. Therefore, this thesis cannot deliver definite answers, but rather speculations about possible reasons for the appearance and extent of reporting.

5.4 Use of Standards and Guidelines

Before 2003, few airlines apply any of the standards and guidelines mentioned in Section 3.4. In 2003, ten per cent is applying UN Global Compact, 15% is applying ISO 14001 and 10% is applying GRI. After 2003, there is an increase of applying these frameworks, see Figure 2. In 2010, 50% is applying ISO 14001 and the same amount is applying GRI. The usage of UN Global Compact is lower, only 25% of the airlines apply it in 2010. The downward trend apparent in Figure 2 can certainly be explained by the fact that some airlines have not yet published their reports for 2012.

5.4.1 Airlines Not Using Any of the Three Frameworks

Two airlines never disclose any information regarding sustainability and therefore will not be mentioned in this section. Those airlines that report on sustainability but not mentioning any

of these three frameworks will also not be presented. Both previous criteria apply for following airlines: Air Asia, Atlas Air, Jet Airways, Ryanair, Tiger Airways and Transaero.

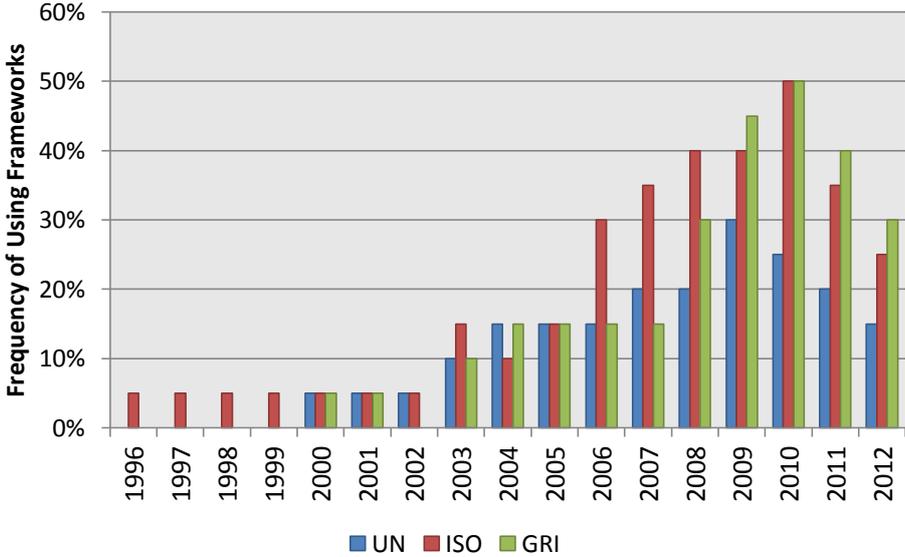


Figure 2: Frequency of Using Frameworks over Time

5.4.2 Airlines Reporting on Sustainability Only in Their Annual Reports

Only three airlines apply any of these three standards and guidelines for their annual report while not publishing any separate report on sustainability. However, it is only the ISO 14001 that is applied by all three. Only one airline, Cargolux, is also applying GRI and UN Global Compact.

AEROFLOT begins to mention the use of ISO 14001 very late. It is not until 2008 that this framework is mentioned. This is continuously applied to 2010 which also is the last available report. There is no indication that Aeroflot will discontinue its usage of ISO 14001. There is also no indication that Aeroflot will start to adopt the UN Global Compact or GRI.

EASYJET has mentioned the use of ISO 14001 already since 2005. Since this is the oldest report available, there is no possibility to determine when Easy Jet began to apply this. There is no reason to believe that they will not continue to do so, because they have applied it from 2005 to 2012.

CARGOLUX is routinely mentioning the use of ISO 14001 during 2007 to 2012. Cargolux is also using UN Global Compact consistently, however for a shorter period, namely 2007 to 2012. The Luxembourgian carrier also mentions the usage of GRI in the annual reports from 2008 to 2012.

5.4.3 Airlines Reporting on Their Sustainability in Separate Sustainability Reports

The usage of standards and guidelines by those airlines that publish a separate sustainability reports is somewhat different in comparison to those airlines that only publish annual reports. The GRI and UN Global Compact are more commonly applied among these airlines. Some airlines also begin to apply these much earlier.

SAS already mentions their use of ISO 14001 in their early report from 1996. The usage of UN Global Compact begins four years after in 2000. This is also the same year as SAS mentions that GRI is used as a reference when reporting on sustainability. All three are used until 2012, except for GRI which is not mentioned in the reports from 2002. GRI is followed in its whole from 2005 and onwards. As already mentioned in Section 5.1.3, there is no separated sustainability report published by SAS between 2002 and 2010. During this period, the standards and guidelines are mentioned and/or used in the annual report. In 2011, the strategy to publish separate sustainability reports re-emerges.

CATHAY PACIFIC is also early with reporting on sustainability in separated reports. In 2003, they mention that ISO 14001 is applied. They continue to use ISO 14001 until their last published report for the year 2011. GRI is also mentioned in their sustainability report from 2003. Similar to SAS, GRI is only used as a reference from 2003 to 2007. In 2008 and onwards, the GRI is applied in its whole.

LUFTHANSA has started publishing separate sustainability reports sometime during the 1990s. The oldest sustainability report that is possible to download from their website is from 2006. However, in this report it is stated that the report from 2006 is the 11th sustainability report. It is therefore possible that the usage of ISO 14001 and UN Global Compact began earlier than 2003. This survey can at least show that both frameworks were used in the annual report from 2003. UN Global Compact is continually used between 2003 and 2012. ISO 14001 is mentioned in 2003 but not mentioned again until 2006. Thereafter, it is continuously mentioned. Since the sustainability reports before 2006 are not available, it is impossible to be absolute certain that GRI is never used by Lufthansa. But because GRI is never mentioned in any report from 2000 to 2012, it seems that GRI has never been used by Lufthansa.

AIR FRANCE-KLM merged in 2004. The oldest available separate sustainability report is from 2004/05, but there are indications that both companies published separated sustainability reports before 2004. Therefore, the same logic as to Lufthansa is applicable on this company. All three frameworks are, at least, used from 2004/05 to 2011.

JETBLUE is publishing their separate sustainability report in a more sporadic behaviour, 2007, 2008/09, 2010/11 and 2012. Nothing is mentioned about ISO 14001 or UN Global

Compact in any of their reports. Only GRI is mentioned and this is done in the sustainability reports from 2008/09, 2010/11 and 2012.

SOUTHWEST has published separate sustainability reports from 2007 and onwards. Similar to JetBlue there is nothing mentioned about ISO 14001 and UN Global Compact in their reports. GRI, on the other hand, is mentioned in the reports from 2009 to 2011.

DELTA is very similar to the other two American airlines. They have published separate sustainability reports during 2009 to 2012. Their reports mention neither ISO 14001 nor UN Global Compact, but GRI is used from 2009 to 2012.

UNITED has published separate sustainability reports for the years, 2009/10 and 2010/11. Different to the other American airlines, this company used ISO 14001 and UN Global Compact in both of these reports. GRI is only mentioned in one report from 2009 to 2010.

QANTAS is mentioning the usage of ISO 14001 in their report from 2007, 2008 and 2012. The UN Global Compact is only mentioned once in 2009. GRI is continuously mentioned from 2008 to 2012.

SINGAPORE AIRLINES mentions the use of ISO 14001 in their annual report from 2006. That one is mentioned in the sustainability reports from 2010/11 onwards. GRI is mentioned in two sustainability reports, i.e. the reports from 2009/10 and 2010/11. Nothing is mentioned about UN Global Compact in any of these reports.

EMIRATES indicates the usage of ISO 14001 in their annual report for 2008/09. However, it is not mentioned again until 2010/11 where it is mentioned in their environmental report. GRI is mentioned in the environmental reports from 2010/11 and 2011/12, but only as a reference. UN Global Compact is never mentioned in any of the reports.

5.4.4 Discussion on the Use of Standards and Guidelines

The overall use of standards and guidelines has increased during the last decade as depicted in Figure 2. The use of ISO 14001 and UN Global Compact began to increase already in 2003 but the main increase began around 2006. GRI has had a slightly different development. Very few companies mentioned it before 2003. Between 2008 and 2010, a major increase of airlines indicating to apply GRI is evident. The increasing use of standards and guidelines could be to some extent seen as an improvement of their reliability or verifiability. A report's reliability is based on several aspects, including e.g. how the information was gathered, analysed and disclosed, in order to allow an examination regarding its quality and materiality. If sustainability reports are constructed according to a predetermined format, the examination of disclosed information should be more easily performed since these frameworks are accessible to the public.

This survey indicates a small tendency for European airlines being more in favour of using the UN Global Compact principle than other parts of the world. The only non-European Airline that mentions UN Global Compact is the American carrier United. Further research is needed in order to verify the validity of this observation. ISO 14001 shows a very widespread use. No differentiation, e.g. geographical, is noticeable regarding which airline is mentioning ISO 14001 or not. The situation is the same for GRI. The very small indication that traditional carriers are more inclined to apply GRI than low-cost carriers is not enough to make a general statement.

The increasing use of frameworks can have many different explanations. According to Leipold, reporting on sustainability is today a business in itself. The GRI framework is promoting the use of assurance which is usually provided by an audit firm. It is therefore in the interest of audit firms that more airlines use GRI in order to increase the demand of assurance services, which results in higher revenues for the audit firms. So, the increased use of GRI could to some extent be explained by audit firms promoting the use of this framework. The low frequent use of UN Global Compact could be explained by the same logic. UN Global Compact is not demanding any assurance and therefore the incentives from profit making by auditors is none existent, which could decrease the market for UN Global Compact and hence its use. Airlines that are pressured into disclosing sustainability information can therefore easily apply these ready-for-use standards in order to mitigate the pressure felt from different stakeholders. Thus, these standards and guidelines are very suitable to use for the airlines in order to increase their legitimacy. Another possibility is that individual airlines want to be perceived as looking the same as their competitors. If some airlines begin to use those, then other airlines could feel obligated to do the same, known as mimetic isomorphism in institutional theory.

The implementations of these standards and guidelines has only just begun, especially GRI. Future research could take the opportunity to further study their development. One area of interest would be to determine if GRI is able to standardise the reporting of sustainability. The underlying research does not provide indications for that.

5.5 Development of CSR Assurance

Generally, the assurance of sustainability information is relatively low. From the year 2006 to 2011, there is a steady increase of companies assuring their sustainability information, as shown by Figure 3.

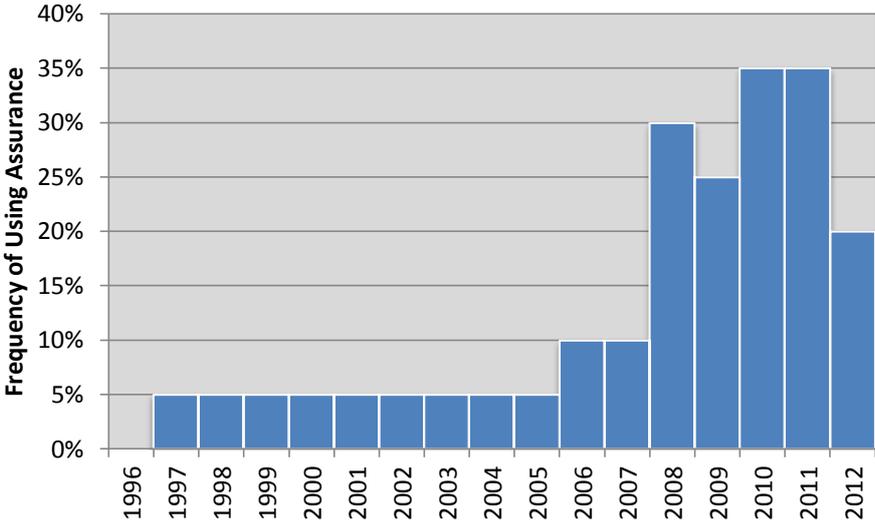


Figure 3: Frequency of Using Assurance over Time

From the survey, it becomes clear that there is no preferred audit firm to perform the assurance of sustainability reports, as shown below in Figure 4. But if all the big four audit firms are grouped together, the picture becomes different. Among the companies that have chosen to assure their sustainability report, the majority, i.e. 75%, is using one of the major audit firms.

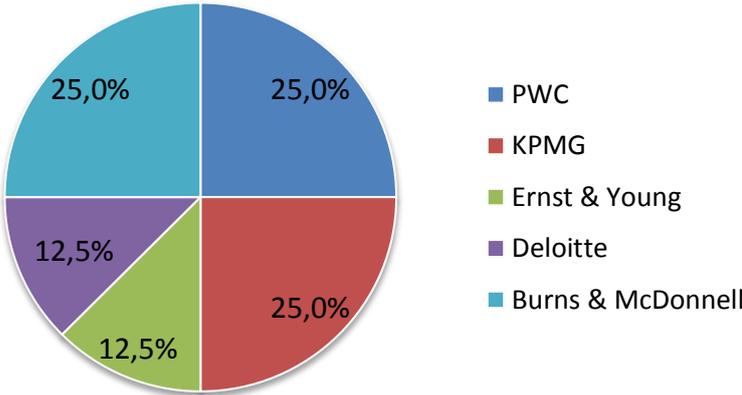


Figure 4: Firms Chosen to Provide Sustainability or Environmental Assurance in the Latest Reports

The only companies that do not use one of the big audit firms are the two American companies, Southwest and JetBlue, who instead use Burns & McDonnell. There is also a small difference between the probability of assuring the sustainability report between low-cost and traditional carriers. The survey indicates that of those who disclose a separate sustainability report, 41,7% of the traditional carriers assure their sustainability report while the share for low-cost carriers is 33,3%. The assurance of sustainability information is usually

done on a limited level. This means that the assurance of sustainability information is somewhat less extensively performed in comparison to the assurance of financial reports.

5.5.1 Airlines Not Using Assurance

Some airlines never disclose any information on sustainability. Other airlines disclose CSR related issues, but do not assure the information. All these airlines are therefore excluded in this presentation. Following airlines do not assure their reports, because of one of the two reasons given above: Aeroflot, Air Asia, Atlas Air, Delta, EasyJet, Jet Airways, Lufthansa, Ryanair, Tiger Airways, Transaero, Singapore Airlines and United.

5.5.2 Airlines Reporting on Sustainability Only in Their Annual Reports

CARGOLUX is the only company present their sustainability information solely in its annual reports and making use of assurance. In 2008, Cargolux begins to assure its sustainability information presented in the annual reports. KPMG is chosen to perform the assurance and continues to do so until 2011. In 2012, Cargolux has changed its audit firm to Ernst & Young. From 2011, Cargolux uses different audit firms for assuring the sustainability and financial information. KPMG continues to perform the assurance of financial reports in 2011 and 2012 while the assurance of sustainability is performed by Ernst & Young.

5.5.3 Airlines Reporting on Their Sustainability in Separate Reports

The situation is different among those companies that use separate sustainability reports. Of the 11 companies that produce a separate sustainability report, seven companies have assured their sustainability report at least once. This gives a percentage usage of 63,6% of assurance among those airlines that produce a separate report on sustainability.

SAS begins to assure their sustainability information in 1997 which is presented in a separate sustainability report. After 2000, SAS ceases to use separated sustainability report and instead uses its website and the annual report until 2011 as a medium for reporting on sustainability. SAS returns to use separated sustainability reports during the last two years, 2011 and 2012. Throughout this period, the Scandinavian carrier uses Deloitte as assurance partner, which also audited the financial report in the same years.

CATHAY PACIFIC's first sustainability report to be assured is published in 2006. The assurance for the years 2006 to 2008 is not performed by one of the four major audit firms. In 2006, the assurance is performed by the Association for Sustainable and Responsible Investment in Asia (ASrIA), in 2007 by Lloyd's Register Quality Assurance Limited (LRQA) and in 2008 by ERM-Hong Kong Limited (ERM). From the year 2009 and onwards, Cathay

Pacific changes strategy and allows PwC to perform the assurance. During this period (2006-2012), the financial report for Cathay Pacific is performed by KPMG.

SOUTHWEST published its first assured sustainability report in 2007. The assurance for this year was performed by Shaw Environmental and Infrastructure Inc. From the year 2008 and onwards, the assurance has been performed by Burns & McDonnell. Similar to Cathay Pacific, Southwest has not used the same company to assure both the sustainability and financial report.

AIR FRANCE-KLM's first assured sustainability information is presented in the 2008/09 report. The chosen company to perform the assurance of Air France-KLM's report is once again one of the major audit firms, namely KPMG. This practice is continued onwards to the report for 2010/11. There is no indication that this practice will change in the future. Similar to SAS, Air France-KLM uses the same audit firm for both the sustainability and financial reports.

QANTAS assured its sustainability information for the first time in the 2008. It did not use assurance in the following year. In 2010, the policy to assure its information has re-emerged and continues to be used. It should be noted that it is only the statistical information that is being assured. The assurance is always given by KPMG which also performed the audit for the financial report.

EMIRATES' first assured sustainability information coincides with its first published environmental report for the 2010/11. The policy to assure the sustainability information is continued for the next year as well. There is no indication that they will cease with this policy. Both assurances have been performed by PwC. This is the same company that audited its financial report.

JETBLUE has assured its sustainability information only once, namely in 2012 and it should also be noted that it is only the GRI application level that has been verified by Burns & McDonnell.

5.5.4 Discussion on the Development of the Use of CSR Assurance

As mentioned in Section 5.3 on the 'Development of Presenting Sustainability Measures', the information that is being disclosed about sustainability is sometimes not comparable and often not detailed enough to clearly state how the information was gathered and computed. This lowers the possibility for the reader to verify the information given concerning sustainability issues. Companies have the opportunity to help the reader with verifying the sustainability by providing an assurance statement from a different company. However, only a total of eight airlines have assured their sustainability information at least once. This could be seen as

somewhat surprising since the assurance of sustainability reports is often the only possibility for the reader to assess the reliability/verifiability of the information that is being disclosed.

The difference between airlines that present their sustainability in annual reports against those who present sustainability in separate reports is noticeable. Only one company, Cargolux, is assuring its sustainability information which is only disclosed in the annual report. The remaining seven companies, SAS, Cathay Pacific, Southwest, Air France-KLM, Qantas, Emirates and JetBlue also assure their sustainability information which is disclosed in separate reports. It should be mentioned that SAS assured their sustainability information presented in the annual report during the period 2000 to 2010 when it was only disclosed in the annual reports. This indicates that an airline that only discloses sustainability information in the annual report is far less likely to assure the information than an airline that discloses it in a separate report. It is impossible to make any predictions if the usage of assurance by airlines who only present their sustainability in annual report will increase. But since so few airlines have been or are applying it, there is no real reason to assume that there will be any increase in the near future.

As mentioned, the situation among the airlines that use separate reports to disclose their sustainability information is very different. The survey indicates that these airlines are more in favour of assuring their reports. There is another observable trend among these seven airlines. For example, the use of assurance seems to be increasing. From 2006 to 2012 more and more airlines apply assurance. The choice of the audit firm also shows a tendency in the direction of using one of the big four audit firms. For example, Cathay Pacific did not use one of them until 2008. In 2009, it has changed to PwC. In this survey, it is only the airlines from America that use different firm than the big four in recent years. This is analogous with the findings from the KPMG survey from 2011 which found that 70% of the G250 companies used one of the major audit firms to assure their sustainability information. Furthermore, some airlines use the same auditor for assuring their sustainability and financial report but no clear indication is given for the reasons for this behaviour. At most, there is a tendency that EU airlines are more likely to use the same auditor for assuring the sustainability and financial report, but caution should be exercised when making it dependent on the geographical region. There are also no significant differences in the use of assurance between low-cost and traditional carriers. The small differences indicated by the survey are not enough to make a general assumption.

The similarity of using assurances among the airlines could possibly be explained by a perspective derived from intuitional theory, mentioned in Section 3.8.3. The similar approach

to assurance among the airlines could be a result of isomorphism, most likely a combination of coercive and mimetic. As stated earlier in Chapter 2, airlines are pressured by different stakeholders to adopt a new standpoint regarding sustainability. This could have pressured airlines to some extent into using assurance. An airline that is about to choose an assurance firm is most likely to choose on one of the major audit firms since they are most used by their competition, a form of mimetic behaviour. There are also other potential explanations regarding the development of assurance. One possible reason suggested by Leipold is that airlines that have a separate department for sustainability and CSR matters are possibly more likely to use assurance. The use of assurance could also be related to the costs that occur when implementing assurance procedures. If the costs are considered too high, airlines may choose not to implement it. And again, if a separate sustainability or CSR department exists, they are probably more likely to accept a higher cost than other departments at other companies.

Another explanation to the development of assurance could be connected to the use of GRI. The development of GRI and assurance usage is almost identical. Among the standards of GRI, one is focusing on the assurance of the GRI report. The GRI framework is actually encouraging the use of assurance. If it is implemented, the result will be a higher GRI level for the user. In this survey, almost all airlines that assure their sustainability information are also using the GRI framework. Thus, this could be regarded as one explanation of the result. Future research could try to find out if this explanation is valid and perhaps the main reason for airlines to assure their sustainability reports.

5.6 Development of Timeliness

Companies publish sustainability information in different ways, namely: combined in the annual report or in a separate sustainability report. Those airlines that are considered to not spend any words on sustainability are excluded from this section. This also includes those airlines that only mention the legal aspects of sustainability. There are also airlines that do not give any indication on when the reports are published and therefore make them impossible to study under this aspect. Table 6 gives an overview of the timeliness of the carriers' reports.

5.6.1 Airlines Reporting Only on Sustainability in Annual Reports

Most airlines that only report on sustainability in their annual reports have a more or less stable publication period. Some airlines publish their reports quickly after the end of their fiscal year, e.g. EasyJet with a timeliness of around 50 days, while other airlines take more time for publishing their reports, e.g. Aeroflot with a timeliness of around 150 days.

EASYJET is the airline with the lowest average timeliness on 46 days. The first report available, the 2005 annual report, has a timeliness of only 36 days. This is also the best

timeliness of all reports between 2005 and 2012. The worst timeliness is for the reports in 2007 and 2012, namely 50 days. Although the variation of timelines is low the trend is showing a slight increase of timeliness.

JET AIRWAYS has also an average timeliness of 57 days. The timeliness of three reports, 2005/06, 2006/07 and 2007/08, stands out from the others. The timeliness of these reports is 29, 87 and 85 days. The trend of timeliness is relatively static, but the specific timeliness each year varies a lot.

CARGOLUX has an average timeliness of 84 days for the annual reports. The trend is slightly increasing. The worst timeliness is registered for the 2009 and 2012 reports with 104 and 103 days respectively. The best timeliness is for the 2003 report with 66 days.

TRANSAERO has an average timeliness of 166 days. The development of timeliness is slightly upwards. The first three reports, 2005 to 2007, are all below 110 days while the last five reports, 2008 to 2011, are all above 110 days. The two worst measures are reached 2008 with 135 days and 2011 with 133 days.

AIR ASIA has also a static timeliness. Two years stand out as significantly different, 2005 with 97 days and 2007 with 96 days. The other reports have a timeliness of around 120 days. The average timeliness is 112,6 days with an increasing trend.

AEROFLOT has the worst average timeliness in, this group of airlines, on 155 days. Since the decreasing trend is so low, the airline is considered to have a static timeliness. The best timeliness is 2010 with 140 days and the worst is 2008 with 181 days.

5.6.2 Airlines That Also Publish Separate Sustainability Reports

Both the timeliness of the annual report and separate sustainability reports will be presented in order to see if the survey indicates any differences between them. A few airlines are not presenting any publication date for the sustainability report, e.g. Southwest, Singapore Airlines and JetBlue. Thus, these companies will be presented first. The following airlines always or sporadically date their sustainability reports.

SOUTHWEST has an average timeliness of 29 days regarding its annual reports. Nonetheless, the trend is showing a significant increase. The timeliness in the 2001 report is 16 days and the timeliness for the 2011 report is 40 days. Southwest publish sustainability reports for the years 2007 to 2011 but has not stated any publication dates.

SINGAPORE AIRLINES has a static timeliness with an average of 44 days. The best timeliness is registered for the 2006 and 2012 report with 39 days and the worst is the 2003 and 2010 report with 51 days. Singapore has published three sustainability reports for the years 2009/10 to 2011/12 but does not provide publication dates.

JETBLUE has a timeliness that very much mirrors the timeliness of Singapore Airlines. Its average timeliness is 49 days and the trend is static. The best timeliness is the report for 2009 with 39 days and the worst is the report for 2004 with 67 days. The sustainability reports published by JetBlue do not provide publication dates.

EMIRATES publishes both annual and environmental reports. Since these are the only two environmental reports that have been published, some caution should be taken when interpreting the findings. The average timeliness of the annual reports is 23 days while the average for the sustainability reports is 70 days. This shows that the publication of sustainability reports takes a longer time to complete than the annual reports. Since only two sustainability reports have been published the trend of these reports' timeliness is therefore uncertain. The situation regarding the annual reports is the direct opposite. The trend for these reports is significantly increasing from around 17 days in the period from 2001/02 to 2007/08, to around 30 days in the period 2008/09 to 2011/12.

UNITED had only three annual and two sustainability reports available. Of the two sustainability reports only one had a date usable for determining the timeliness. The sustainability report for 2010/11 had a timeliness of 225 days. This is the worst timeliness of any report for any airline. Since only one date is given regarding sustainability reports nothing is possible to say about its trend. The trend for the three annual reports is very static with an average timeliness of 59 days. Once again it is indicated that the timeliness of sustainability reports is worse than for annual reports.

QANTAS has published two sustainability reports but timeliness is only possible to determine for one of the reports. The sustainability report for 2008 has a timeliness of 84 days. The average timeliness of the annual reports is 65 days with a static trend. This, once again, indicates that the timeliness of sustainability reports is worse than for the annual reports.

SAS is also showing a static trend for both the sustainability and annual reports. The average timeliness of the sustainability reports is 72 day and 66 days for the annual reports. The timeliness for sustainability reports is still worse than the annual reports but the difference is not significant.

CATHAY PACIFIC's trend for timeliness for both the sustainability and annual reports is slightly increasing. The timeliness of sustainability reports is sporadic. The best timeliness can be registered in the sustainability report for 2009 with 106 days and the worst is registered for the report for 2007 with 167 days. The average timeliness for sustainability reports is 144

days while the same average for annual reports is 68 days. Once again, this clearly indicates that the timeliness for sustainability reports is worse than for annual reports.

LUFTHANSA's trend for the timeliness of both the sustainability and annual report is significantly decreasing. The first sustainability reports have a timeliness of around 196 days while the last reports have a timeliness of around 135 days. The same development is apparent in the annual reports. The first two reports have around 100 days while the last two have around 65 days. The average timeliness is 150 days for sustainability reports and 69 days for annual reports. Again, the survey indicates that the timeliness for sustainability reports is worse than for annual reports.

AIR FRANCE-KLM has only two annual reports and four sustainability reports with dates suitable to determine timeliness. Since the annual reports and the sustainability reports are not in the same period, any comparison between them is futile. The average timeliness for the annual reports is 86 days and 66 days for the sustainability reports. This is the only airline that has any indication that the timeliness for sustainability reports is better than for the annual reports. As mentioned above, this indication should probably be disregarded since the reports are not from the same period.

Airline	Annual Reports				Sustainability/Environmental Reports			
	Avg.	Min.	Max.	Period	Avg.	Min.	Max.	Period
Aeroflot	155	140	181	2000-2010	-	-	-	-
Air Asia	113	96	122	2005-2011	-	-	-	-
AF-KLM	86	82	90	04/05- 05/06	59	57	61	08/09-2011
Cargolux	84	66	104	2000-2012	Included in Annual Reports			
Cathay Pac.	68	64	74	2000-2012	144	106	177	2004, 2006-2011
Delta	-	-	-	-	No Publication Dates			
EasyJet	46	36	50	2005-2012	-	-	-	-
Emirates	23	16	41	01/02-11/12	70	66	73	10/11-11/12
Jet Airways	57	29	87	03/04-2012	-	-	-	-
JetBlue	49	36	67	2002-2012	No Publication Dates			
Lufthansa	69	57	100	2000-2012	150	89	196	2006-2012
Qantas	65	58	84	2000-2012	84	84	84	2008
Ryanair	110	59	144	2000-2012	-	-	-	-
SAS	66	46	83	2000-2012	72	56	90	'97-'00, '11-'12
Singapore	44	39	51	2001-2012	No Publication Dates			
Southwest	29	16	40	2000-2012	No Publication Dates			
Transaero	116	102	135	2004-2011	-	-	-	-
United	59	57	61	2007-2009	225	225	225	2010/11

Table 6: Timeliness of Annual and Sustainability Reports (in Days)

5.6.3 Discussion on Development of Timeliness

As already mentioned above, almost half of the airlines that provide a sustainability report do not include any publication date or any other date that could be derived as such. Therefore, caution should be taken when interpreting the survey findings. The sustainability reports that have a publication date seem to have a worse timeliness than annual reports. Only in one airline's case, a better timeliness for the sustainability report than for the annual reports has been registered. However, this airline should be disregarded since their sustainability reports and annual reports are not from the same period. One reason for the worse timeliness for sustainability reports could be that they are not the main concern for the airlines. Furthermore, Leipold mentioned that there might be a possibility that many of these carriers may delegate the responsibility of sustainability reports to the financial departments which logically do not prioritise that kind of reporting. Consequently, airlines will focus more on completing the annual report than the sustainability reports. Sustainability reports could also be more complicated to audit than annual reports.

Another interesting finding was that the timeliness for sustainability reporting for airlines that implemented GRI did not improve. If GRI is implemented one would expect the timeliness would become better. That is because GRI seems to adopt a more standardised approach for reporting on sustainability issues which should make the sustainability report easier to audit. However, the implementation of GRI seems to have not affected the timeliness in any significant direction.

6 Conclusion

6.1 Reflections

The research reveals that airlines discovered the topic of sustainability especially during the last decade. But the Stern Review and the IPCC reports from 2007 have not induced a significant amount of the reporting on sustainability. Only some carriers have started to report within the following two years. Before that, carriers have already provided either environmental or sustainability reports. When it comes to the time of starting to report, Lufthansa and SAS are the leaders, having started to provide separate reports already in 1995. Another observation that was made is that among airlines there is a clear preference for sustainability rather than pure environmental reports. That is most likely due to the possibility of balancing out the highly negatively perceived environmental performance of the airline industry, trying to shift the attention to the industry's positive economic and social externalities. Other observations that were made are trends towards separate reports and increasing reporting content.

When it comes to engaging stakeholder in the reporting process, there is no observable progress and the status quo is expected to continue in the near future. The majority of carriers, which are assumed to include only suppliers or/and employees or actually wait for external feedback, seem to rest on their laurels and not increase the communication with stakeholders. That is also reflected in some cases by the relatively low reporting amount.

With regard to the development of presenting sustainability measures, it can be said that either airlines have already made their reported measures longitudinal comparable or they still are in the process of doing it. Regardless, there are remaining problems such as the incomplete provision of information to determine a carrier's efficiency, which experienced only insignificant and minor improvements when it comes to information on waste. Another still existing problem, which is not expected to improve in the near future, is the cross-sectional comparability of information. That specific problem is caused by providing different measures or same measures with different units and different ways of grouping these measures from carrier to carrier. Combining the impressions from the general development of CSR reporting among airlines, the extent of their reports and their extent of providing measures, the authors have stated the hypothesis that the reporting extent may be dependent on the concentration of a carrier's operation. Restricting it to carriers of a certain size, which is not specifically determined here, the larger a carrier's concentration of operations is the more information is disclosed on its sustainability practices. But the authors are also aware

that the extent of providing measures may also be a result of mimetic isomorphism, namely copying competition's practice. During the expert interview, the authors gained additional ideas regarding possible correlations. The extent of reporting may be dependent on the existence of a dedicated department for CSR related issues.

Differently to the development of stakeholder engagement, the use of frameworks has increased during recent years. This development started in 2003 and continued until 2010. After that, no further improvement is obvious among the airlines included in the survey. There is also no indication that frameworks are more frequently used in certain geographical areas. The only exception is the use of UN Global Compact, which seems to be more commonly used by European airlines. However, in order to verify this observation more research is needed.

No significant observations were made regarding the development of the timeliness of both the annual and separate sustainability reports. The timeliness seems to be very stable over the last decade. Nonetheless, timeliness differs between the annual and sustainability reports. There is a strong indication that the timeliness of annual reports is better than for sustainability reports. Similar to the use of standards and guidelines, there are no indications for certain correlations such as a better or worse timeliness with the usage of GRI or the geographic origin of the carriers.

Moreover, the survey indicates that assurance is mostly used by carriers that also publish separate sustainability reports. The authors believe that this could be connected to the use of GRI, since this framework is promoting assurance of sustainability information. This suggestion is further strengthened by the fact that among the analysed airlines, those who assure their sustainability information also claim to make use of the GRI framework. The companies that perform assurance are usually one of the big four audit firms and the trend is increasingly going in that direction.

The underlying research focused solely on the airline industry. The sample of the carriers was selected carefully in order to gain a valid picture of the trends in the entire airline industry. By focusing on the most relevant regions for the global airline industry, having a relatively large sample and balancing the sample with carriers from especially the two major business models, network and low-cost, the authors are convinced of having produced a picture that is generally applicable for the industry. Having chosen that sample size and a qualitative content analysis with a longitudinal-comparative research design, the authors needed to limit the amount included in this thesis to a great extent, especially when trying to focus on several aspects of sustainability reporting. This approach has supported the capturing

of the general development of CSR reporting in the chosen branch. This research tried to evaluate CSR related documents according to qualitative characteristics, namely comparability, timeliness and verifiability. One important qualitative characteristic under which the document was not scrutinised was relevance. But the general character of the research has not allowed going into a more detailed analysis of the content, which would be required to assess whether something is relevant or not.

6.2 Suggestions for Future Research

One advantage of this research is that it gives an overview of a development and it may give input for future students and researchers in their decision on potential research areas. During the research, the authors made some observations, which may be interesting areas for future research. For example the hypothesis that the CSR reporting extent is dependent on available resources, expressed in terms of dedicated department and number of staff. The authors believe that it is more promising to test this hypothesis than the hypothesis that the reporting extent depends on the concentration of a carrier's operation. The reason is that there seems to be a more obvious link between reporting extent and allocated resources to a company's CSR.

Another interesting observation is the environmental balance sheet, which SAS has continued to include from its early days of environmental reporting. Since it is qualitative, the authors pose the question whether it is possible to develop a quantitative concept of it, quantifying resource inputs and externalities. In an increasingly environmental aware society, such a concept could constitute the analogue version of a fiscal balance sheet, becoming an integral part of environmental reporting. Maybe such a concept could also be developed for the social dimension that is a social balance sheet.

A further observation in the conducted research is that the use of CSR assurance seems to be connected to the use of GRI guidelines. The authors have the question in mind whether the use of the GRI guidelines is more driven by the auditors than the choice of the individual company or the actual quality of the guidelines. The research reveals that even though companies may use the same framework as reference, there are still significant differences, especially when it comes to disclosing sustainability measures and performance indicators. The research shows that currently there is no convergence process going on and it can be expected comparability will not improve in the near future. That is unless strong political forces will initiate a change, possibly through a standardisation of sustainability reporting. Hence, another question arises, namely how such standardisation can be achieved. Should it be done on a branch level or is it more useful to do it on a supranational level like the EU? Especially for performance indicators such question would be interesting to answer. Then, a

normative question would follow: Which performance indicators would be most relevant in order to compare companies from the same branch and eventually companies across different branches. The authors are convinced that performing research in the above suggested areas would be valuable for the understanding and further development of sustainability reporting.

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Appendix: Development of CSR Reporting Among Airlines

Airline	Region	Business	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Airlines Providing a Separate Report																					
Cathay Pacific	Asia	Network																			
Emirates	Asia	Network																			
Singapore Airlines	Asia	Network								X	X	X	X	X	X	X	X	X	X	X	X
Qantas	Australia	Network																			
Air France-KLM	EU	Network																			
Lufthansa	EU	Network	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
SAS	EU	Network	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Delta	US	Network																			
JetBlue	US	Network/Low-cost																			
Southwest	US	Low-cost																			
United	US	Network																			
Airlines Not Providing a Separate Report																					
Air Asia	Asia	Low-cost																			
Jet Airways	Asia	Network																			
Tiger Airways	Asia	Low-cost																			
Cargolux	EU	Cargo																			
Easyjet	EU	Low-cost																			
Ryanair	EU	Low-cost																			
Aeroflot	Russia	Network																			
Transaero	Russia	Network/Low-cost																			
Atlas Air	US	Cargo																			

 Environmental Report
 CSR or Sustainability Report
 Included in Ordinary Annual Report
 Confirmed, but not accessible report

Comment
 Reports with a reporting period not ending at the calendar's year end, were treated according to following example:
 Reports for the year 2011/12 are treated as reports from 2012 in that illustration



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Declaration of Authenticity

We hereby honourably declare that the presented thesis is our own work; thoughts directly or indirectly taken from external sources have been highlighted as such. Moreover, we confirm that no other sources have been used than those specified in the thesis itself.

This thesis, in same or similar form, has so far not been presented at any other examination board and has also not been published yet.

Lund, 2013-05-22

Christopher Andersson

Patrick Jabkowski

Declaration based on the example in the Master Thesis Guidelines of the
HHL – Leipzig Graduate School of Management from June 2011