UNIVERSITY OF EXETER
Centre for Sport, Leisure and Tourism

Corporate Social Responsibility: Issues for Future Development in the Low-Fares Airlines Sector

Insights from members of the European Low Fares Airline Association (ELFAA)

E·S·R·C
ECONOMIC & SOCIAL RESEARCH COUNCIL

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The aim of this report

This report presents a critical examination of the key business issues associated with the implementation of corporate social responsibility (CSR) among low-fares airlines (LFAs) as revealed by members of the European Low Fares Airlines Association (ELFAA). Progress to date is contextualised by drawing on evidence from other businesses about how they have operationalised the concept. Recommendations are made for ELFAA members and LFAs (as well as other businesses and organisations) that have an interest in further developing their approach to CSR.

What is CSR?

CSR is an approach to business that takes account of issues associated with society and the environment in addition to the more traditional business concerns of shareholders and profits.

What is the low-fares airline sector doing about CSR?

Of the eleven ELFAA members, six have included a ‘Corporate Social Responsibility’, ‘Corporate Responsibility’, ‘Social Responsibility’ and/or a connected environmental section in their annual reporting (easyJet, Flybe, Norwegian Air Shuttle, Ryanair, SkyEurope, transavia.com). None of the ELFAA members produces a stand-alone, annual CSR report.

What are the advantages of adopting a CSR approach?

ELFAA members cited a number of advantages to developing CSR within their businesses, which included cost savings and positive consumer association.

What are the disadvantages of adopting a CSR approach?

The main perceived disadvantages are potential negative public relations due to unfulfilled promises or claims and overhead costs for the implementation of CSR-related activities and management.

How can a low-fares airline implement a CSR approach?

CSR must be applied to all business activity in order to ensure consistency and continuity across the business. Porter's widely-used 'Value Chain' concept (from a CSR perspective) could be a useful means to identify precisely the areas of, and benefits from, a successfully-embedded CSR policy across a low-fares airline.

What are the key issues linked with implementing a CSR approach?

The most successful CSR approaches are strategic, whole-business solutions that are properly monitored and evaluated. The following issues need to be considered if a company is planning to adopt a strategic CSR approach: finance, resourcing, time, staffing, PR, communications, positioning strategies, and partnership relationships.

ELFAA's possible future leadership role in CSR

Currently, there appears to be little sector-wide leadership in aviation regarding the comprehensive adoption and implementation of CSR. While there are some examples of good practice at work, the LFA sector could benefit from clear, strategic advice and support. ELFAA, as a trade association, is ideally placed to provide this.

Box 1 **Recommendations to ELFAA**

1. Agree on a policy statement on what CSR means for the low-fares airline sector;

2. Build a relationship with Sustainable Aviation, or sign up to the Sustainable Aviation sustainability strategy;

3. Facilitate the sharing of good practice and signpost sources of advice and guidance;

4. In time, identify and promote airlines with comprehensive CSR policies and elect a CSR 'champion' from among its membership.

5. Commission or support research into the real costs and benefits associated with adopting a CSR approach in order to help dispel myths and establish the full case.

Section 1

Background

1.1 Introduction

Aviation has been routinely invoked in recent debates about sustainable development. While there has been considerable interest in the economic and environmental impacts of low-fares airlines (LFAs), the social impacts of airlines have been largely overlooked (ELFAA 2004; York Aviation 2007). Likewise, LFAs' understanding and practice of corporate social responsibility (CSR) have largely been ignored.

Companies are increasingly evaluated not only by their products or services, but also by *how* they do business. With the increased level of competition in the LFA sector and in the aviation sector as a whole, consumer and investor perceptions of the responsibility of an airline could be a key differentiating factor.

1.2 Partnership research: business and higher education

This research has been funded by the Economic and Social Research Council (ESRC, www.esrc.ac.uk) in the United Kingdom (UK) as part of its Business Engagement Scheme under the title *Social Responsibility among Low-fares Airlines: Current Practices and Future Trends* (RES 185-3-0046). Among the aims of the Business Engagement scheme are to:

- Promote the transfer and exchange of knowledge between social science researchers and business sectors;
- Respond to the knowledge needs of business;
- Expand networks for business sectors into academia and vice versa; and
- Provide business sectors with research-informed evidence to develop and review operational and management practices.

The research on which this paper is based has been conducted by the Centre for Sport, Leisure and Tourism Research (www.exeter.ac.uk/slt) in the University of Exeter Business School in partnership with Flybe (www.flybe.com). Headquartered in Exeter, Flybe has contributed by facilitating access to key industry actors; giving insight into the operations of LFAs; and making introductions to key internal and external stakeholders.

The University of Exeter team comprised Prof. Tim Coles, Dr. Claire Dinan, and Emily Fenclova, while Niall Duffy, Head of PR and Public Affairs, supported the work at Flybe. The opinions expressed in this report are those of the research team alone and do not necessarily reflect those of the ESRC, University of Exeter or Flybe.

1.3 Input from the LFA sector and beyond

Key individuals within the low-fares airline sector have graciously given their time and expertise through a series of in-depth interviews, and for this we are extremely grateful. We would also like to acknowledge those industry-related stakeholders who attended a series of seminars we convened throughout the UK to enhance our understanding of how CSR in the LFA sector is perceived by external businesses and organisations.

1.4 The reporting context

The primary aim of this programme as a whole has been to understand CSR among LFAs flying to and from the UK. Its main outcomes are an enhanced understanding of the current implementation of CSR by LFAs, as well as the implications for future CSR-related activity in this sector.

This is the third and final report to be published from the programme, and it is meant to be read in conjunction with the previous two. The first reviews recent policy statements on aviation, CSR and sustainable development within the European Union (EU) and UK. The second presents detailed findings on current CSR practices among LFAs. All three reports may be found on the Centre for Sport, Leisure and Tourism Research's website (http://www.exeter.ac.uk/slt).

1.5 The aim of this report

The principle purpose of this document is to present a critical examination of the key business issues associated with the current and future implementation of CSR among LFAs. As a result of their business models, LFAs present a series of distinctive challenges for the development of CSR; however, there are some important transferable lessons.

Research in the ESRC Business Engagement Scheme should benefit business sectors widely. As we noted in the second report what constitutes an LFA is becoming increasingly blurred as elements of the business model are widely copied and adapted. Thus, in the second report, a relatively wide sample was drawn in order to review the current state of CSR. Here, a restricted sample is used because trade associations and bodies have the ability to induce sector-wide change starting with their members. ELFAA members comprise the main sample; hence, the report identifies the key role which ELFAA could play if CSR is to be more fully embedded and routinely practised among LFAs flying to and from the UK.

Ultimately, CSR is an increasingly important public relations and governmental policy issue across all sectors. Low-fares airlines especially should anticipate more scrutiny of their practices in the future with strategic implementation and dedicated reporting of CSR becoming expected and even demanded. This report provides a basis for continued discussions on corporate social responsibility among low-fares airlines and in the aviation sector more widely.

Box 2 **In this report**

- The key aspects of CSR are briefly reviewed, along with selected case-studies of implementation in other businesses;
- The current state of CSR implementation among ELFAA members is briefly discussed and illustrated by three LFA case-studies and contextualised by a case-study of a full-service carrier;
- The major business issues associated with future implementation among LFAs are identified;
- A series of recommendations for ELFAA as a trade association are presented; and finally,
- The views of EU and UK policymakers, key aviation-related lobbying groups and selected reporting programmes toward CSR are presented.

Section 2

What is CSR?

2.1 Corporate social responsibility

CSR is an approach to business that takes account of issues associated with society and the environment in addition to the more traditional business concerns of shareholders and profits. Far from being a new concept, it has evolved from its origins in nineteenth-century corporate philanthropy and has generated much attention recently, both in academic and policy circles.

2.2 CSR and its early origins

CSR in the UK emerged in the nineteenth century. Industrialists like Titus Salt in Bradford and the Cadbury family in Birmingham adopted a philosophy of industrial production that was not only profitable, but which also safeguarded and protected the physical and mental well-being of workers, their families and the immediate environment in which their enterprises operated.

In 1850, Titus Salt, a successful mill owner, decided to improve the quality of life of his employees by building them Saltaire, a community of decent housing with sanitation and heating, an educational institute, hospital, almshouse and church (Searle 1993). The Cadbury family embarked upon similar philanthropic measures for their employees. As a family of Quakers, they believed in the need for business to be a 'force for good in troubled times'. Cadbury professes that same aspiration today (Cadbury 2008).

One of the most prominent early proponents of CSR in the United States was Henry T. Ford. In 1917, Ford faced a legal battle from shareholders who challenged his decision to use profits to reduce the cost of production and hence the price of Model T vehicles rather than maximise shareholder dividends. Ford's defence was that he was 'trying to do as much as possible for everybody concerned, to make money and use it, give employment, and send out the car where the people can use it', because in his view 'business is a service not a bonanza' (Lewis 1976: 100). Ford firmly believed in the importance of business as a service to society, which is still claimed to be a part of Ford's current corporate ethos (Lee 2008).

2.3 Changing approaches to CSR

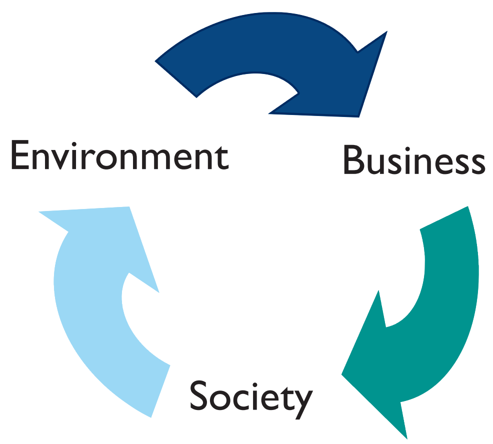
There have been shifts in the way that CSR has been understood and practised. CSR began as something akin to corporate philanthropy, sporadically practiced by a few passionate CEOs (Carroll 2008). However, by the late 1950s and early 1960s, the desirability of the general adoption of CSR was heavily contested (Cochran 2007). By the end of the 1970s, the debate shifted from *whether* CSR was necessary to *how* it could best be realised, and in the 1980s and 1990s, a flurry of businesses started practicing so-called 'enlightened self-interest' (Cochran 2007).

Today, views of CSR have crystallised around the concept of sustainable development, as proposed by the Brundtland Commission Report (United Nations World Commission on Environment and Development 1987) which defines sustainable development as:

> 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

In practice, this calls for businesses to view themselves as partners with society and the environment in the co-production of the present and the future (figure 1). Business cannot survive without society to purchase its products or services. In turn, society cannot survive without a healthy environment in which to prosper. The quality of the environment is both directly and indirectly impacted upon by the nature and practices of business and society. All activities within this cycle feed into one another. The only way for business to ensure its future survival is to respect the limits of development in the environment and society.

Figure 1. The dependent nature of business, society and the environment.



Corporate social responsibility, also variously referred to as social responsibility, corporate responsibility and social performance, captures this concept of the need for businesses to be aware of their wider impacts. Multiple definitions of CSR abound. Several common features are present in most, if not all interpretations of the concept. For instance, Dahlsrud (2008) has identified five main ideas associated with CSR:

- stakeholder engagement;
- social dimensions;
- economic dimensions;
- the voluntary aspect; and
- environmental dimensions.

Interest in these components has varied over time. Early debates about CSR centred on whether businesses really have a moral and ethical responsibility to society (Lee 2008) and if CSR could be compatible with the capitalistic market. Until the 1970s, CSR was routinely lambasted, with Milton Friedman (1970: 32) calling it 'pure and unadulterated socialism' and claiming that 'there is one and only one social responsibility of business — 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' (1970: 126).

However, at the same time, corporate philanthropy was already a widely-accepted business practice, and the strategic increase of profits through CSR activities was acknowledged (Carroll 1999). Carroll developed something of a middle ground between CSR supporters and Friedman's critique through his 'Pyramid of Corporate Social Responsibility'. Carroll (1991: 41) argued that companies have a hierarchy of responsibilities, ranging from the mandatory to discretionary, made up of economic, legal, ethical, and philanthropic responsibilities.

Recent debate challenges Carroll's emphasis on shareholder and economic aspects of business management. One of the most widely accepted approaches to CSR today in both academia and practice is that of the 'triple bottom line'; that is, taking into account social and environmental gains and losses along with the economic ones (O'Rourke 2003: 683; Moneva, *et al* 2006: 122; Dodds and Joppe 2005: 9). This shows a dramatic shift from a profit-and-shareholder perspective to an appreciation of impacts-and-stakeholder. The voluntary dimension of CSR is still considered key, and the understanding in all majorly-accepted definitions is that the onus of conscience lies with the business.

2.4 De facto definitions of CSR

The UK Government's vision for CSR was set out by Gordon Brown (DTI 2004: 2):

> Today, corporate social responsibility goes far beyond the old philanthropy of the past –donating money to good causes at the end of the financial year– and instead is an all year round responsibility that companies accept for the environment around them, for the best working practices, for their engagement in their local communities and for their recognition that brand names depend not only on workforce, community and environment. Now we need to move towards a challenging measure of corporate responsibility, where we judge results not just by the input, but by its outcomes: the difference we make to the world in which we live, and the contribution we make to poverty reduction.

Similarly, CSR is understood by the European Commission to be 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (Commission of the European Communities 2006: 5) .

Despite the apparent importance of CSR and the former statement as a 'blueprint' for business, the most recent UK Government guidance (*Corporate Social Responsibility: A Government Update)* has not been revised since 2004. Instead, a major impetus for change has been Business in the Community (BitC). As one of the Prince's [of Wales] Charities, it was established with the sole purpose of enabling businesses to develop and implement successful CSR policies. Business in the Community's approach to CSR is to 'mobilise businesses for good' and 'inspire, engage, support and challenge companies to improve their positive impact on society' (BitC 2008: 2). Its aim is to encourage its members to consider and mitigate their impacts in the community, environment, marketplace and workplace. It runs several CSR assessment awards, including the widely-recognised Corporate Responsibility Index (BitC 2008).

2.5 Sustainable Aviation's approach

There appears to be no clear industry-wide interpretation of what CSR means to aviation; however, Sustainable Aviation's (2005) *A Strategy Towards Sustainable Development of UK Aviation* is a joint agreement from three aviation trade associations in the UK with the National Air Traffic Services. The strategy details eight concerns about the sustainable management of aviation which include: communication; climate change; noise; local air quality; surface access; natural resources; economic; and social impacts. Sector-wide commitments for each of the concerns are detailed, ranging from take-off and landing speeds to maintaining and developing 'commercially viable air links to support the UK economy and regional development' and to continuing to 'meet the requirements of people for access to aviation' (Sustainable Aviation 2005: 41, 44).

2.6 Major lessons from other sectors

Just as CSR has entered into the lexicon of policymakers, CSR has become firmly embedded in the vocabulary of corporate governance. CSR disclosure and reporting have become expected components of public and investor relations, especially in certain sectors (most notably finance, tobacco, utilities, mining and even fast food chains (Kotler and Lee 2004; Jenkins 2004)). A wide range of companies from all sectors are currently practicing CSR for a variety of reasons. Some like Cadburys, Ford and others have been engaged for a long time, others are relative new-comers, but all can be useful in determining best practice CSR. Several key lessons can be learned from successful practitioners of CSR (case-studies on pages 10-13). These include:

2.6.1 Clear objectives – The most successful CSR practitioners are those with the clearest CSR objectives. Keeping CSR objectives and policies simple and understandable helps engender support within an organisation and buy-in from suppliers and customers alike (BitC 2009).

2.6.2 Strategic synergies – Successful CSR is embedded across all aspects of the company's work. It is a fundamental part of their corporate culture and as such is one of the guiding principles of how they do business. For example, British Airways has four areas of work that transect all aspects of their business, ensuring that CSR applies to environment, workplace, community investment and marketplace (BA 2008).

2.6.3 Communications – Successful CSR practitioners use internal and external communications effectively in order to raise awareness of their CSR commitments to four sets of stakeholders: their own employees, their shareholders, their customers, and their suppliers. For example, the Marks and Spencer 'Look Behind the Label Campaign' encouraged customers to find out more about the products they were purchasing, including where they were made, under what conditions, where and how the raw materials were sourced (Marks and Spencer 2006).

2.6.4 Leadership and champions – CSR 'champions' are key to embedding CSR throughout the organisation. It is vital that there is representation on the board. Often companies will find that there is great enthusiasm for the concept and its practical implementation by 'front line' staff, employees who are in frequent contact with suppliers or customers and are keen to 'make a difference'. The challenge sometimes comes for middle management. These employees are often focused rightly on immediate business pressures of targets and profit margins, and sometimes lose sight of the 'bigger picture'. Hence companies that promote the concept and adoption of the policy to middle managers are more likely to fulfil their corporate CSR objectives (Grayson 2008).

2.6.5 Partnership working and stakeholder engagement – Successful businesses recognise that they can not deliver on CSR alone; they need to work with all their partners and stakeholders. Hence a comprehensive CSR policy needs to build on supply chain considerations. Using an internationally recognised standard such as the AA1000 Assurance Series helps lend credibility to the corporate responsibility process. In addition, schemes like the AA1000AS facilitates a 'robust and credible discourse' between stakeholders by establishing a universal set of rules or process for reaching a consensus (Blowfield and Murray 2008: 162).

2.6.6 Reporting and monitoring – Finally, reporting and monitoring are vital components of any successful CSR strategy. Without meaningful monitoring, reporting and evaluation of progress and targets, CSR can lose its way, potentially harming a company's reputation. Currently, there is no legislation that stipulates exactly how a company should monitor its CSR activity; however, there is a variety of guidelines available for companies to follow. Already mentioned, one is the AA1000 Assurance Series; another is the ISO 26000 Social Responsibility Standard (to be published in 2010). The FTSE4Good Index also monitors the CSR credentials of companies in order to facilitate and validate socially responsible investment by specialists in the field (FTSE 2006). More information on available guidelines can be found in Appendix 1.

Cadbury Schweppes: issues of sourcing

Company Name: Cadbury Schweppes (Food and Beverage Sector)

Rationale behind adoption of CSR:

The company's approach to CSR has roots in its founder's philosophy of fair treatment of employees and philanthropy in the community. Cadbury started out in the production and sale of beverages promoting tea and cocoa as an alternative to alcohol for workers. It is now one of the world's largest producers of beverages and chocolate-based confectionary.

Policies/Objectives:

Cadbury is committed to CSR and sustainable development; its policies on these issues are firmly embedded into its corporate business strategy and culture. Its activity is linked to six pillars of commitments which include: responsible consumption; ensuring ethical sourcing; prioritising quality and safety; reducing carbon, water use and packaging; nurturing and rewarding colleagues; and investing in communities.

Desired Outcomes:

A key programme of work on which it has recently embarked is a fairtrade policy (to be in place by August 2009) in relation to sourcing raw materials and investment in the local communities where it works. This will enable it to display the Fairtrade mark on all its related products. In 2008, it established the Cadbury Cocoa Partnership with co-operation from the United Nations Development Programme with governments and local communities in Ghana, the Caribbean, India and Indonesia.

Reporting:

Cadbury's reporting is comprehensive. It reports annually against the six pillars. It has a set of performance indicators against which it monitors progress which also cross-reference the Global Reporting Initiative (GRI). In addition, it works in partnership with Forum for the Future, an independent charity that advises on sustainability issues.

Reference: Cadbury (2008; 2009)

Toyota: tackling environmental impact

Company Name: Toyota (Automobile Industry)

Rationale behind adoption of CSR:

Toyota is one of the world's largest producers of motor vehicles. It has a commitment to reducing the adverse environmental impacts of vehicle manufacture and fuel consumption.

Policies/Objectives:

Toyota's CSR policy is based on the principles of sustainable development. It has a set of guiding principles that cuts across all aspects of its work. In 2008, Toyota launched its 'CSR Policy: Contribution toward Sustainable Development' to take into account subsequent environmental changes and heightened societal interest in CSR. In conjunction, Toyota has developed 'Toyota Global Vision 2020 –The Ideal Being Pursued for People, Society and the Global Environment', which recognises that the global environment and economy are changing, facing new challenges, and that Toyota must plan for these changes and become part of the solution.

Desired Outcomes:

Under the slogan 'Open the Frontiers of Tomorrow', Toyota is building capacity within its own organisation through employees and more widely with its subsidiaries and suppliers to help it achieve its CSR Toyota Global Vision 2020. Progress is being made via a series of programmes and activities. These engage with issues at the local and regional level around the world; some are dealing with technological change in fuel and vehicle performance, while others are dealing with community engagement or issues such as a safety.

Reporting:

Toyota reports annually and comprehensively on its economic, environmental and social sustainability priorities in both a standalone report and as part of its annual report. In addition, for each of the twelve key international markets, there is a separate report on environmental performance and credentials.

Reference: Toyota (2009)

British Airways: comprehensive reporting

Company Name: British Airways (Air Transport Sector)

Rationale behind adoption of CSR:

British Airways is very aware of its impact on the environment and in particular climate change because its core business is the transportation of people from one place to another via air travel.

Policies/Objectives:

CSR activity throughout BA is monitored and managed centrally by a dedicated team of 30*†, with projects being carried out across the full realm of business activity and in a variety of destinations around the world. Its ambition is to be the 'World's Most Responsible Airline'. In order to achieve this, it has taken the view of 'One Destination', which sees the world as a whole; the aim is to ensure its customers fly confidently in the knowledge that BA is acting responsibly to take care of the world in which we live. The vision of One Destination and the CSR strategy is delivered through four pillars of Environment, Community, Marketplace and Workplace.

Desired Outcomes:

The desired outcome is to invest back into communities with which British Airways works, invest in the quality of natural environment, and assure customers that BA is working in the best interests of society and the environment.

Reporting:

British Airways reports annually under the four headings of Environment, Community, Marketplace and Workplace on the CSR plan which has over 80 work-level programmes designed to achieve ten corporate CSR goals. It has a CSR Board which is chaired by the British Airways Chairman and a dedicated CSR team.

Reference: BA (undated; 2006; 2007; 2008); CorporateRegister.com (undated)

* At the time of writing

† CorporateRegister.com (undated: Online)

Marks and Spencer: stakeholder communications

Company Name: Marks and Spencer (Food and Beverage, Consumer Goods)

Rationale behind adoption of CSR:

The founders of Marks and Spencer believed in the value of building good relationships with their employees, their shareholders, their suppliers and their customers. Moving forward, the business has cultivated a reputation built on quality and trust. Trust is at the core of everything it does and is at the heart of its CSR approach.

Policies/Objectives:

CSR at Marks and Spencer embodies and reinforces its core corporate values of quality, value, service, innovation and trust. CSR is managed under the headings of Product, People and Places. One particular initiative has been the 'Look Behind the Label' campaign which was designed to engage customers on the issues relating to the supply of good and products.

Desired Outcomes:

The desired outcome of the 'Look Behind the Label' campaign was to increase customer knowledge of the way goods are produced, from standards for animal welfare and fish sourcing to prices paid to its producers in the developing world.

Reporting:

The content of the CSR Report is the result of assessments of CSR risks, benchmarking against CSR reports produced by other retailers, and cross-referencing with the United Nations Global Reporting Initiative (GRI).

Reference: Marks and Spencer (2006; 2007; 2008)

Section 3

What are low-fares airlines doing about CSR?

3.1 Number of LFAs with CSR statements

Of the eleven ELFAA members, six have included a 'Corporate Social Responsibility', 'Corporate Responsibility', 'Social Responsibility' and/or environmental section in their annual report (easyJet, Flybe, Norwegian Air Shuttle, Ryanair, Sky Europe, transavia.com). None of the ELFAA members produces a stand-alone, annual CSR report (Table 1).

3.2 Numbers of LFAs without CSR statements

The other five ELFAA members do not appear to publish any CSR reports or statements, although it should be noted that three of them (Clickair, Jet2.com, and Myair.com) actively report on their charity support (Clickair 2008; Jet2.com 2009; Myair 2008). Also, both Clickair and Jet2.com have sections on their websites that formally recognise their impacts on the environment and outline their responses to mitigate these effects (Clickair 2008; Jet2.com 2007).

3.3 Shared characteristics of LFAs CSR reporting

The six CSR reports by ELFAA members that are contained within an annual report tend to be much shorter and less thorough than the CSR reports of legacy carriers (Table 2). In 2008, the longest CSR report to be published was easyJet's 'Corporate and Social Responsibility Report' in its 2008 Annual Report and Accounts (easyJet 2008). This had 7,022 words and covered eight A4 pages. The second longest was Flybe's 'Flybe and the Environment' and 'Corporate Social Responsibility' in its 2008 Annual Report (Flybe 2008a), which had 1044 words and covered three A4 pages. While other aspects of CSR appear to differing degrees, all of the reports mention the environment (and specifically, noise and emissions). Additionally, all of the reports also mention the airline's investment in new aircraft as a positive step towards mitigating environmental impacts.

3.4 Differences between CSR reports among LFAs

There does not seem to be a universally-accepted definition of what low-fares airlines

Table 1: CSR reporting by ELFAA members

Airline	Environmental Statement on Website	Charity Support on Website	CSR in Annual Report	Stand-alone CSR Report
Click Air	✓	✓	—	—
easyJet	✓	✓	2006, 2007, 2008	—
Flybe	✓	✓	2008	—
Jet2.com	✓	✓	—	—
Myair.com	—	✓	—	—
Norwegian Air Shuttle	—	✓	2007, 2008	—
Ryanair	✓	✓	2003-2008	—
Sky Europe	—	—	2007, 2008	—
Sverige Flyg	—	—	—	—
transavia.com	—	—	2007/2008, 2008/2009	—
Wizz Air	—	—	—	—

Sources: compiled from various company statements cited in reference list

recognise as CSR activity. Because CSR has been linked to so many aspects of business activity, there has been a tendency for commercial enterprises to focus mainly on the 'easy' PR opportunities linked to charitable giving and activities, as is illustrated in the strong charity support reported by ELFAA members (Table 1). However, if a CSR policy is to be comprehensive and compliant with the true spirit of the concept, it must be embedded across all aspects of business activity and become a 'whole business approach' (Blowfield and Murray 2008).

3.5 CSR beyond the annual report

As shown in Table 1, some airlines that do not mention CSR in their annual reports still publicise CSR activities on their websites. Additionally, a disparity of information is evident in the three airlines that more widely report on CSR-related activities both on their websites and in their annual reports. Sometimes, material that appeared in press releases and on the web did not appear in print in reports. For instance, Ryanair released two press releases about its 2008 Cabin Crew Charity Calendar (Ryanair 2007b, 2008b), seven press releases for its 2009 Cabin Crew Calendar (Ryanair 2008c, 2008d, 2008e,

Table 2: CSR reporting in 2008 of 6 ELFAA members and 3 legacy carriers

Airline	Type	Stand-alone report	Number of pages	Number of words	CSR activities reported
easyJet	LFA	no	8	7,022	Safety, environment, staff development, charity involvement, ethical codes
Flybe	LFA	no	3	1,044	Staff training, charity involvement, environment, CSR policy
Norwegian Air Shuttle	LFA	no	1	624	Environmental compliance, staff working conditions
Ryanair	LFA	no	2	852	Environment, emissions trading, ethical codes, staff benefits
SkyEurope	LFA	no	2	388	Environment, charity involvement, ethical codes
transavia.com	LFA	no	1	610	CR policy, responsible partnerships, environment, carbon offset, charity involvement, staff development
Air France/ KLM	Full service	yes	56	27,675	Climate change, environmental impacts, sustainable customer relationships, staff development, EU policies, sustainable partnerships
British Airways	Full service	yes	28	12,174	Environment, marketplace (responsible partnerships), workplace (employee investment), community (charity involvement)
SAS	Full service	no	24	12,454	Environment, sustainable development, sustainable HR practices, sustainable partnerships, financial costs of CSR

Sources: compiled from 2008 annual reports cited in reference list.

2008f, 2008g, 2008h, 2009) and even set up a dedicated website for its 2009 Cabin Crew Charity Calendar (www.ryanaircalendar.com); however, the charity calendar and other philanthropic efforts were not mentioned in the 2008 Annual Report.

3.6 Perceived advantages associated with CSR

Interviews with managers in ELFAA members revealed that there appears to be a variety of advantages associated with practicing a more comprehensive CSR approach, including: cost savings; marketing opportunities; and positive consumer association. For more detailed analysis, see the second report of this programme.

Cost savings were identified as the main advantages of acting in a responsible manner. Most comments concerned environment and fuels savings, such as:

> If you become more environmentally efficient, you lower your costs per passenger, which is good for your business.

The general consensus among LFAs is that there are distinct marketing advantages to be gained from a CSR approach, both in consumer and investment market opportunities. The general flavour of operator opinion on this point is typified by the following:

> If you are widely regarded as being at the top of the league in terms of environment, punctuality, efficiency and all that, it should result in building a stronger brand and people should come to you and book tickets and so on and so on. The same for investors; it's good to be regarded as a sort of leader in this.

Several companies were concerned with how their airline may be perceived by the communities in which they operate and the stakeholders they serve, for example:

> One of the benefits that we accrue from having this [CSR] mind set is the ability to better connect with [regional] society — we are nothing like traditional carriers, we are very hands-on, and we really do care about a number of things.

> The benefit is that hopefully people see us as an ethical airline, a good airline, one that they feel agrees with their values, or they might think, 'You know, that's something I might like to support.

3.6 Perceived disadvantages associated with adopting CSR policies

The main disadvantages of CSR activity were linked to negative PR resulting from potential unfulfilled promises or claims, as well as any additional administrative costs.

Interviewees were concerned about the negative PR that can be associated with publicising CSR efforts:

> We try to be low profile with our CSR activities to the outside world. It's very difficult when there are a lot of NGOs which are looking to you: are

> you really as green as you said?

> We're very bad about talking about what we do, because we get completely slated in the press anyway, so we're very, very cautious about anything we say unless we can absolutely substantiate each thing. Because, there will always be an angle, because it sells papers.

There is also a perception of negative financial costs associated with implementing CSR policies. These are not just related to basic running costs, but also to risk and reputation management, for example:

> I think of course there are costs — there are overhead costs, there are risks associated with not selling correctly — both externally and internally — the actions that you take. There are risks of not communicating...

Overall, in crude cost-benefit terms, the benefits were perceived to outweigh the costs of CSR.

3.7. Globalisation and CSR interpretation

LFA business operations cross international boarders on a daily basis, which has significant implications for the implementation of CSR strategies in terms of acknowledging different national and international CSR guidelines and traditions.

Ethical business behaviour is framed by national political, sociological and international relations paradigms, and these, in turn, may affect the way individual businesses interpret CSR locally. In this context, Crane and Matten (2004) have noted that there are two main cultural approaches to CSR.

- The Anglo-Saxon Model focuses on benefits to shareholders and short-term benefits and is more common in companies based in the United States and United Kingdom.
- In contrast, the Rhenish Model concentrates on employees as major stakeholders and long-term CSR benefits, and is more common in companies based in Germany, Italy, France and Spain.

It is clear from our interviews that airlines based in different countries did place slightly different emphasis on what they perceived to be the key CSR outcomes for their businesses. Some cited short-term benefits to profits as important, while others were more concerned with longer-term environmental and societal benefits.

3.8 Cross-Border Governance Issues

Currently, all Member States of the European Union share the view that CSR is 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (Commission of the European Communities 2006: 5) . The voluntary nature of CSR was endorsed by all of the companies we interviewed. None desired the compulsory imposition of CSR targets or policies on businesses.

3.9 Limited awareness of existing sources of support

There appeared to be limited awareness among the operators we interviewed of sources of support on designing and implementing CSR policies and strategies. Only two airlines mentioned consulting external CSR-related organisations for help with their CSR implementation.

3.10 Limited awareness of existing good practice in the sector

There is little sharing of good practice in the CSR field within the sector. This report contains several key case-studies to help assist with knowledge transfer, but very few airline representatives were able to cite other examples of good CSR practice in the aviation sector as a whole or, more specifically, in the low-fares sector.

As discussed in the second report from this programme, LFAs are not averse to CSR, and there is evidence of them subscribing to and practicing the principles of corporate social responsibility. Benchmarked against Mirvis and Googins' (2006) five stages of CSR, the current level of CSR activity may be described as either 'elementary' or 'engaged', and CSR appears to be practiced more for defensive reasons. The question arises as to how greater CSR activity in the form of more comprehensive policy and strategy may be engineered, and to which the remainder of this report now turns.

Section 4

How could a low-fares airline implement CSR?

4.1 Operationalising CSR: Porter's Value Chain

The most successful and easily defendable CSR approaches are those that are embedded across the whole of an organisation (Mirvis and Googins 2006; Porter and Kramer 2006). The 'Value Chain' concept (Figure 2) can help to identify all areas where a CSR approach can 'add value' across an airline's management functions and day-to-day business operations, and ensure a 'whole business approach' to CSR implementation (Porter and Kramer 2006; Bhattacharya, *et al* 2008).

In this view, products and services are delivered by means of a series of primary and secondary steps. In this 'Value Chain', the value placed on the final result by consumers depends on the value that is added (or removed) throughout the process (Porter 1985). Value may be added to, or removed from, a product or service offering at every stage of its design, promotion and delivery. Porter analysed how companies work and broke down their operations into two sets of activities, or 'value chain components'.

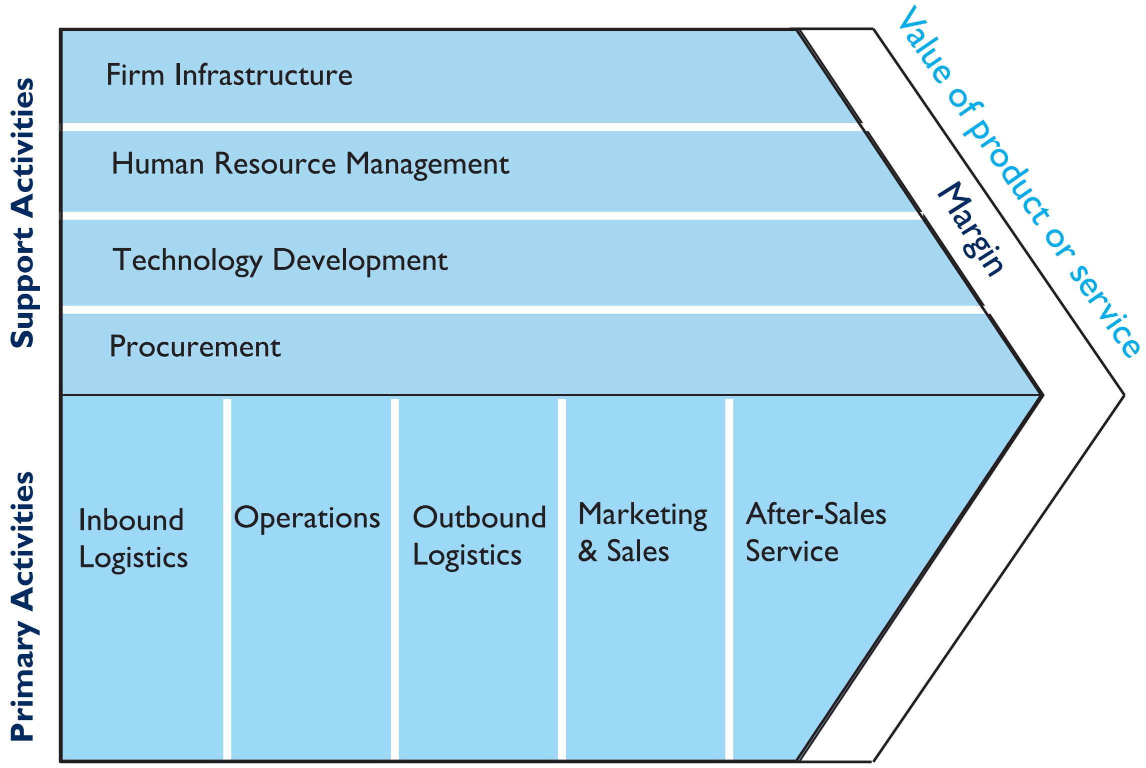
Support Activities are aspects of the corporation or organisation that facilitate the profit-generating 'business' activity:

- Firm infrastructure
- Human Resource Management
- Technology Development
- Procurement

Primary Activities are areas of the business that constitute the main consumer-facing elements of the business and are often regarded as the profit-generating areas:

- Inbound logistics
- Operations
- Outbound logistics
- Marketing and sales
- Service

Figure 2: Porter's Value Chain



Adapted from Porter (1985: 47)

Porter's Value Chain is essentially a diagram of the strategically-relevant components of a product or service. As such, it can be useful for planning a strategic adjustment of consumer value, from cost and competitive advantage to knowledge management to corporate social responsibility (Porter 1985; Lee and Yang 2000; Porter and Kramer 2006).

4.2 Critics of Porter

Some critics have argued that Porter's Value Chain is too simplistic, too ordered and fails to fully capture the intricacies of the value creation of a product, or especially a service (Brown, *et al* 2005). However, for the purposes of adding CSR value, tracing the exact minutiae of value creation is not necessary, and any model more complex than Porter's would be impractically detailed as a tool to facilitate greater CSR implementation.

4.3 Porter and CSR

The application of CSR to Porter's Value Chain has been fairly recent (Porter and Kramer 2006). As with the application of the Value Chain concept to issues of cost and competitive advantage and knowledge management, business activities may be analysed for their potential to yield greater CSR value. For instance, under the Primary Activity of Operations, Porter and Kramer (2006: 5) list emissions and waste, biodiversity and ecological impacts, energy and water usage, worker safety and labour relations and hazardous materials as potential areas to add CSR value. Therefore, using Porter's Value Chain for CSR has several key advantages:

- Delivering coherence and whole-business infiltration and
- Emphasising the business case.

4.3.1 Delivering coherence and whole-business infiltration

Disconnected, anecdotal reporting is often symptomatic of an incoherent or non-existent strategy, and it demonstrates a lack of understanding for the whole-business implications of CSR (Porter and Kramer 2006: 3). By breaking down a business into its components, Porter's Value Chain allows for the coherent application of CSR value to all departments and activities. Practitioners can map and trace CSR activities, ensuring that CSR goals are recognised throughout the organisation. This 'whole business' implementation helps guard against potential negative PR (as, for instance, cited by ELFAA members).

4.3.2 Emphasising the business case

Echoes of Friedman's critique that CSR is 'anti-business' still resonate (Blowfield and Murray 2008). By keeping the focus of any CSR implementation on the end result for the business as a whole, the CSR Value Chain encourages a thorough analysis of the costs and estimated benefits of any activity before it is implemented. As the CSR Value Chain results in a whole business map of CSR activity, it encourages cross-departmental collaboration, reducing wasteful repeat solo projects, and offering a fuller assessment of the cost-benefits of acting in a more responsible manner.

4.3 Porter's Value Chain, CSR and LFAs

The Value Chain approach has been advocated as a means to identify and embed CSR activities in the operations of businesses in several sectors. To date, there appears to be no instance where it has been used in the aviation sector. However, Porter's Value Chain can be used to identify where and how CSR can be incorporated across the whole operating system of an LFA in order to add 'CSR value' (as Table 3 demonstrates hypothetically).

Table 3: LFA CSR activities applied to Porter's Value Chain

Porter's activity	Airline Management Activities	Way in which CSR can be incorporated
Support Activities		
Firm Infrastructure	CSR team (in Communications, Public Relations, Legal, Procurement or at board level)	• Decide where CSR is to be situated in the airline's operations • Devise a CSR policy • Create CSR guidance and a monitoring team • Link the CSR policy to the airline's corporate branding values • Appoint CSR champions at board, division and team levels
Human Resource Management	Human Resource Management	• Highlight current CSR activities • Build on the staff's loyalty to the company • Communicate the CSR policy widely and effectively to all staff (using intranet and other internal communications)
Technology Development	Logistics Procurement Sales Operations	• Highlight the company's environmental investments • Explore potential innovations in ticketing, sales, marketing and operations.
Procurement	Procurement Logistics	• Consider a formal commitment to environmentally-friendly procurement from aircraft to inflight refreshments, retail goods and staff uniforms • Ensure that all suppliers are signed up to the CSR policy or other fair trade schemes • Use environmentally friendly print suppliers
Primary Activities		
Inbound Logistics	Purchasing (Procurement)	• Ensure that all suppliers are signed up to the company's CSR policy or other fair trade schemes. • Use environmentally friendly print suppliers.
Operations	Sales, check-in, flight, departure and after sale care (Sales & Logistics, HR)	• Ensure top quality customer service at all times. • Ensure staff are trained in the CSR policy, its values and its outcomes (especially consumer facing staff).
Outbound Logistics	Purchasing (Procurement)	• Highlight how the company values its relationships with the communities and suppliers • Ensure all service providers and suppliers have a copy of the company's CSR policy and sign up to helping the company deliver on its promises.
Marketing and Sales	Marketing and sales (PR and PA, Sales)	• Highlight the company's commitment to CSR at every opportunity in the relationship with its customers • Ensure costumers feel satisfied with their experience.
Service	Inflight experience, retail, refreshments and post disembarkation experience (Logistics and HR)	• Ensure that all attributes of the booking, inflight and post-disembarkation experience exceed the customer's expectation and tie-in with the company's CSR principles. • Ensure all staff (especially consumer facing staff) have strong training and are well-informed.

Section 5

Implementation Issues

5.1 Issues for individual LFAs embarking upon a CSR strategy

Despite the potential of a Value Chain approach, the following issues need to be considered if an LFA is planning to adopt or develop further a more comprehensive CSR approach, namely: consistency across the business; financial implications; time; staffing and corporate buy-in; PR; communications; positioning strategies; partner relationships; and location of CSR activities. These issues are particular to the LFA sector and should be used in addition to generic best practice (selected resources for general best practice guidance are listed in Appendix 1).

5.2 Consistency across the business

A comprehensive CSR strategy across all aspects of the business using something like Porter's Value Chain is one way to ensure consistency of approach and reduce (reputational) risks from CSR. Several LFA operators cited negative PR as a potential deterrent to promoting and disseminating their current CSR-related activity more widely. The risk that areas of the business may not be operating in the spirit of a CSR approach, hence presenting an opportunity for detractors to make accusations of 'double standards', can be minimised through the adoption of a systematic approach to CSR derived from audits and mapping exercises.

5.3 Financial implications

The LFA business model relies on cost-reduction (Groß and Schröder 2007) and CSR may be perceived as unattractive if overheads are too high. There are costs associated with implementing a (more comprehensive, joined-up) CSR strategy, but many are already accounted for within existing budget lines such as: PR activities, corporate sponsorship, charitable giving, infrastructure investment, purchasing, and environmental management programmes. These activities are already happening in many cases, and they are legitimate CSR-related concerns, but they are often not badged as such. A co-ordinated CSR strategy will benefit by immediately recognising current CSR-related activities and mapping gaps to be filled by any new activities.

5.4 Time

Progress on CSR-related initiatives is a medium- to long-term commitment that can only be fully achieved with realistic timescales built in from the start. However, there are some objectives, or 'quick wins', that can be realised in the short-term. Implementing these initiatives will help generate enduring enthusiasm and commitment to a process of implementation from both internal and external stakeholders that may otherwise take some time.

5.5 Staffing and corporate buy-in

If a CSR approach is to be adopted, it is key that there is full corporate buy-in and strategic leadership from the board-level down and operations-level up. Without a CSR champion at board-level, the concept can drift and become sidelined if fundamental business functions face challenges. Likewise, if operations-level personnel feel alienated from CSR objectives, successful implementation will be greatly inhibited.

Monitoring, evaluation and management of CSR objectives and related actions do require a staffing commitment in order to facilitate accurate reporting of costs and benefits. The size of the staffing commitment depends on the size and commitment of an organisation. British Airways at the time of writing employed 30 staff working on CSR related initiatives (GreenAir 2008); however, other airlines employ considerably fewer. For example, another full-service carrier we interviewed had a CSR team of three full-time members of staff. None of the low-fares airlines interviewed had a full-time, fully dedicated CSR-related position in the company. Interviewees identified a lack of resources and strategic champions as a main hindrance in CSR implementation and reporting.

5.6 PR

There is considerable PR advantage to be gained through adopting and publicising a commitment to CSR. The key is consistency. Once a CSR approach has been approved corporately, it must be communicated to all internal and external stakeholders. Moreover, CSR issues should not be hidden from view if the responsibilities of LFAs are not to be misunderstood and misinterpreted externally.

5.7 Internal and external marketing communications

All internal and external stakeholders must be made aware of the company's CSR strategy and objectives. This is best achieved through a simple (mission) statement tied into a training and communications programme based around the CSR position and mission statement. Geography matters: although external and internal stakeholders may be located in markets with different expectations, there must be one message.

5.8 Positioning strategies

A fully integrated CSR strategy can greatly enhance a company's positioning strategy. It can create significant unique selling propositions for a company already operating in a very crowded market place, thereby refocusing consumer's purchase priorities away from purely price-sensitive purchasing strategies. Increasingly, concerns over CSR-related issues such as the environment and societal impacts are influencing consumer decision-making habits (Smith 2007). CSR positioning statements should be carefully considered and connect to the business' mission statement. Acknowledgement should be made of who owns the term and its associated policies and action plans. Finally, long-term goals and their relationship to the business' goals need to be included.

5.9 Partner relationships

All supply partners and CSR partners need to be made aware of the company's CSR policy. The company's workforce, local operating community, suppliers and corporate clients should be targeted in an integrated marketing communications strategy, and references to CSR strategies should be included in all purchase contract agreements. Likewise, stakeholders and their objectives should be considered. Stakeholders should be consulted throughout the design, adoption, implementation and audit of a CSR policy.

5.10 CSR at home and abroad

The decision must be made about where (and under which legislature) to base CSR activity. Many LFAs have chosen to base their governance on the country in which their headquarters is based, and most of their CSR activity is operationalised close to home. Others have taken the view that they wish their CSR activity to be mainly beneficial to the destination communities to which they fly. It is important, therefore, to consider the differences in legislation and cultural understandings, regional priorities and sensitivities toward CSR in the locations chosen, and stakeholders should be consulted accordingly.

5.11 Awareness of support

LFAs should make themselves aware of the wider range of organisations that exist to help support CSR development. For example, in the UK, Business in the Community is available to help companies develop their own bespoke CSR policies and offers advice on monitoring and project development. There are also internationally recognised CSR monitoring schemes set up to help companies implement, audit and report on their CSR activities, such as: the Global Reporting Initiative (GRI); ISO 26000 Social Responsibility Standard; the AA1000 Assurance Standard; the GoodCorporation Standard; and the FTSE4Good Index (see Appendix 1). While membership of a CSR-related organisation or an application for CSR-accreditation may not be advantageous, awareness of their requirements and guidance may none the less lead to stronger, more thorough CSR policy and strategy.

Section 6

The way ahead for ELFAA on CSR

6.1 Issues for ELFFA

There are several issues that could be addressed by ELFAA concerning the future adoption of CSR in the low-fares sector. Currently, this is lacking: a collective approach; links with CSR-minded groups; sharing of good practice; full recognition of current activities; and an empirical evidence base. These issues could be addressed by ELFAA in the following ways:

i. A formally recognised approach

ELFAA could agree a policy statement on what CSR means for the low-fares sector.

ii. Links to other industry groups with an interest in CSR

ELFAA could build a relationship with Sustainable Aviation or similar industry groups, and could consider signing up to Sustainable Aviation's sustainability strategy.

iii. Sharing of good practice

ELFAA could consider setting up a workshop to help promote CSR as a concept and business activity among low-fares airlines. Alternatively, it could facilitate knowledge transfer between its members through its website, detailing case-study examples of good practice, and offering signposts to sources of advice or expertise on the matter.

iv. Identification of 'champions' and 'trail blazers'

In time, ELFAA could help identify and promote airlines with comprehensive CSR policies and elect an individual member with an interest in CSR issues to act as a spokesperson on these issues.

v. Improve the evidence base

ELFAA could commission or support research into the real costs and benefits associated with adopting a CSR approach in order to help dispel myths and establish the full case.

Section 7

CSR in aviation: case-studies

7.1 Case-studies of CSR in the aviation sector

The following four case-studies are examples of airlines that have adopted some aspect of CSR reporting, with lessons that are transferable both across the low-fares sector and beyond it.

Case-study one is transavia.com, a low-fares airline from the Netherlands and a subsidiary of Air France-KLM. transavia.com has an explicit, publically-available CSR policy and reports against this in its annual report.

Case-study two is Ryanair, a low-fares airline based in Ireland. Ryanair has not introduced a dedicated CSR policy; however, it does report about CSR-related issues in its annual report. Ryanair does not currently have a stand-alone CSR reporting vehicle. No CSR manager or team is mentioned in its communications.

Case-study three is easyJet, a low-fares airline based in the UK, that does not have a CSR statement or stand-alone policy, but does have policy of a type in the form of an extensive Environmental Code with three promises about its environmental management as a key CSR-related concern. It reports against this code in its annual report. There is no dedicated CSR team, although currently all CSR-related activity is part of the Communications Director's remit.

Case-study four is British Airways, a full service carrier from the UK. BA was mentioned earlier (Section 2.6). More detail is presented here to contextualise current LFA CSR communications. BA has fully adopted a CSR approach to management and has integrated this throughout its operations.

Case-study 1

Name of business: transavia.com

Nature of business: Low-fares airline

Full CSR policy: Yes

Other CSR statement: In 2007/2008 Annual Report (transavia.com 2008).

CSR statement: 'Over the past year, transavia.com has continued to integrate Corporate Social Responsibility (CSR) further into its commercial vision by extending the concept, thus providing the basis for implementation of its mission and strategy in a socially responsible manner. This involves striking a responsible balance between looking after economic returns, ecological quality and personal well-being. transavia.com accepts its responsibility for these matters and is open to the demands of society. One of the factors is that transavia.com wants to communicate openly and transparently with all of the stakeholders' (transavia.com 2008: 13).

Approach to CSR management:: Dedicated manager (JCI 2008).

Types of projects it embarks upon: Staff development, code of conduct, investment in young fleet, engine maintenance to improve emissions, attempts to improve fuel consumption, efforts towards 'environmental care' in their offices, paying towards sound insulation in nearby houses, emissions offset availability for customers and practiced by transavia.com, charity work through Stichting Peter Pan Vakantieclub (The Peter Pan Holiday Club) (transavia.com 2008: 13).

Any associated costs attributed to CSR expenditure: transavia.com (2008: 13) mentions that it has 'for many years been making substantial payments towards the cost of sound insulation in houses in the vicinity of Schiphol Airport'. Also, transavia.com (2008: 13) will start offsetting its carbon 'by paying an annual amount as compensation for its commercial operations (electric, gas, vehicle use and similar)'. No cost is stated for its charity involvement.

Name of Business: Ryanair

Nature of Business: Low-fares airline

Full CSR policy: No

Other CSR statement: In Annual Reports from 2003 to 2008 (Ryanair 2003, 2004, 2005, 2006b, 2007a, 2008a).

CSR statement: Ryanair's statement reports on 'Social' (mostly staff working conditions and benefits), 'Environmental' (investment in new aircraft and improved operations, including noise output and facilities management, as well as outlines Ryanair's opposition to the Emission Trading Scheme and any other fuel/emissions taxes) and 'Code of business conduct and ethics' (states adoption of a business ethics code created in 2004) (Ryanair 2008a).

Approach to CSR management: No specific team.

Types of projects it embarks upon: Lobbying against measures that might hinder 'competition', buying new aircraft, collections for charities, and the publication of a calendar with proceeds given to a charity (Ryanair 2008a).

Any associated costs attributed to CSR expenditure: Cost of buying new aircraft and making improvements (though Ryanair points out the business case for such improvements), cost of reporting, cost of producing calendar and other charity involvement (though Ryanair raises money from customers for charity rather than donating large sums of its money) (Ryanair 2008a). None of the costs are quantified.

Case-study 3

Name of Business: easyJet

Nature of Business: Low-fares airline

Full CSR policy: No, but easyJet does have an 'Environmental Code' with three 'promises': to be environmentally efficient in the air; to be environmentally efficient on the ground; and to lead in shaping a greener future for aviation (easyJet 2008: 17).

Other CSR statement: In Annual Reports from 2006, 2007 and 2008 (easyJet 2006, 2007, 2008).

CSR statement: 'easyJet aims to provide its customers with safe, good value, point-to-point air services and believes in the goal of excellence of achievement in all its activities. easyJet sees striving for excellence in environmental, social and ethical activities as a key behaviour for a successful and sustainable business, positive for its shareholders, people and suppliers, and considerate to its neighbours whilst delivering value to customers' (easyJet 2008:16).

Approach to CSR management: Apparently, there is no dedicated CSR team, though the Communication Director has 'corporate and social responsibility' within the portfolio (easyJet 2008: 27).

Types of projects it embarks upon: Emissions improvements, being the 'first major European airline to offer' a carbon emissions offset scheme as 'part of the booking process', share schemes for employees, improved safety measures (specifically, a fatigue-identification system for pilots), charity work with a single, annually-chosen charity, and ethical guidelines for employees (easyJet 2008: 20).

Any associated costs attributed to CSR expenditure: Unspecified cost of 'investment in the latest technology', most of the other environmental efforts are identified as 'the business model of easyJet'. No costs are specified for staff programmes, though it is noted that in 2008, 'the Group made charitable contributions totalling £50,000' (easyJet 2008: 33).

Name of Business: British Airways

Nature of Business: Full service carrier

Full CSR policy: Yes, 'One Destination' has goals for Environment, Community, Marketplace and Workplace across 'How we fly', 'What we fly' and 'What we buy' (BA 2008).

Other CSR statement: Yes, Corporate Responsibility Report 2007/2008, 2005/2006, 2004/2005, also Environmental Overview 2006/2007, Social and Environmental Reports1999/2000 to 2003/2004 and Annual Environmental Reports 1992 to 1999 (BA 2006, 2007, 2008; CorporateRegister.com undated).

CSR statement: 'Our vision is to become the world's most responsible airline.
This is best achieved by ensuring our flying activity is sustainable, and to do so we have devised a series of strategic goals and programme plans to deliver this ambition' (BA 2008: 03).

Approach to CSR management:
BA has around 30 members of staff in their CSR department (GreenAir 2008). It claims to have 'over 80 programme level activities and several hundred projects', many of them focused on reducing emissions (BA 2008: 3).

Types of projects it embarks upon: Reducing carbon emissions by 25% by 2025, 30% of recycled waste, fitting Boeing 777 engines with technology to improve fuel efficiency and reduce NOx emissions, supporting educational activities through a Community Learning Centre, funding 130 community and conservation projects at destinations, raising money for various charities, including UNICEF (BA 2008).

Any associated costs attributed to CSR expenditure: £5.7 million of 'in-kind' donations, £35 million bonus for all employees, £15.3 million approved for a terminal upgrade at JFK Airport that will improve customer experiences and pursue energy and environmental design certification, £25 million invested in new fleet and equipment for Terminal 5 for sustainable, recyclable and environmentally-friendly building materials and equipment (BA 2008: 4). There are no specified quantitative cost for all CSR activity and no quantitative cost listed for aircraft efficiency improvements.

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Appendix 1

Stakeholder guidance on CSR

Governmental guidelines:

EU: *Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence on Corporate Social Responsibility* (2006) is the European Commission's most recent corporate social responsibility policy document.

It announced the launch of the business-led European Alliance on CSR to improve the implementation of the CSR goals outlined in *Green Paper: Promoting a European Framework for Corporate Social Responsibility* (Commission of the European Communities 2001) and refined in *Corporate Social Responsibility: A Business Contribution to Sustainable Development* (Directorate-General for Employment and Social Affairs 2002).

CSR is defined by the European Commission as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (Commission of the European Communities 2006: 5).

The European Commission is decidedly non-prescriptive about content of CSR reports and strategies. Instead, it seems to take the view that it can encourage 'good' CSR through education of both business and consumers about environmental and social issues and to encourage 'multi-stakeholder forums'.

UK National Government: The most recent UK Government CSR policy is *Corporate Social Responsibility: A Government Update* (DTI 2004).

From a legislative prospective, Section 417 of the 2006 Companies Act (HM Government 2006) mandates that quoted companies must also report on environmental matters, employees and social and community issues, although specific measurements and indicators are not required.

Corporate Social Responsibility (DTI 2004: 2) defines CSR as 'businesses taking account of their economic, social and environmental impacts, and acting to address the key sustainable development challenges based on their core competences wherever they operate – locally, regionally and internationally'. In agreement with the European Commission's definition of CSR, DTI believes that 'CSR should continue to take compliance with legal requirements as the base and go beyond that' (2004: 4) and sees CSR as an integrated business motivation.

Corporate Social Responsibility (DTI 2004: 5) outlines six 'delivering objectives': competitiveness, poverty reduction, community investment, environment, governance and workplace. Within these objectives, specific, voluntary government programmes to encourage CSR are described, such as strategic partnerships, flexible working schemes, green labelling schemes and BitC's Corporate Responsibility Index.

Airline sector trade group guidelines:

IATA (the International Air Transport Association) includes two pages on how it is helping its members reduce their environmental impacts in its 2008 Annual Report although no mention of other sustainability/CSR issues, and it makes no suggestions for its members' CSR reporting.

BATA (the British Air Transport Association) uses its website to 'provide information on the economic and social contributions of air travel together with the environmental impacts and how they are being addressed'. BATA lists efforts to reduce noise pollution, to increase fuel efficiency and to fund research as examples of the environmentally-responsible actions of airlines. BATA (2008: Online) notes that aviation 'is a major UK industry in its own right' which contributes '£10.2 billion a year to UK GDP' as well as a vital means of competitiveness for UK businesses. At the same time, BATA (2008: Online) claims that aviation 'provides significant social benefits to the population at large' and notes the jump in UK citizens travelling abroad on holiday from 7 million in 1997 to 38 million in 2002, and that a 'majority of air journeys are taken by people in the C, D and E socio-economic groups'.

Sustainable Aviation's *A Strategy Towards Sustainable Development of UK Aviation* (2005) is a joint agreement from three of the aviation industry's trade associations in the UK along with the National Air Traffic Services. The document details eight concerns: communication, climate change, noise, local air quality, surface access, natural resources, economic, and social impacts. Aviation sector-wide commitments for each of the concerns are detailed, ranging from take off and landing speeds to maintaining and developing 'commercially viable air links to support the UK economy and regional development' to continuing to 'meet the requirements of people for access to aviation' (Sustainable Aviation 2005: 41, 44).

NGO guidance on CSR:

Business in the Community is a not-for-profit organisation that 'mobilises business for good' and 'inspire, engage, support and challenge our member companies to improve their positive impact on society' (Business in the Community 2009: 2). It encourages its members to consider and mitigate their impacts in the community, environment, marketplace and workplace.

The Corporate Responsibility (CORE) Coalition is a lobbying group that believes that the 'world is facing huge environmental and social challenges, from protecting human rights to minimising the harmful effects of climate change'. The Coalition 'works to make changes in UK company law to minimise companies [sic] negative impacts on people and the environment and to maximise companies [sic] contribution to sustainable societies' (CORE 2009: Online). The Coalition represents more than 130 'charities and campaigning organisations' including Amnesty International UK, Friends of the Earth, Christian Aid and War on Want (CORE 2009: Online).

Friends of the Earth (undated: Online) is very suspicious of CSR claiming that:

> 'CSR is failing because it:
>
> **Doesn't make a difference**
>
> Companies don't deliver on promises eg Shell illegally flares gas in Nigeria.
>
> **Ignores the real problems**
>
> Reports gloss over impacts of core business eg forest destruction caused by BAT's tobacco plantations.
>
> **Is voluntary**
>
> There is no enforcement eg Barclays sign-up to principles they fail to meet' [sic].

Friends of the Earth (undated: Online) believes that 'Government needs to regain control of big business to give rights for people and rules for big business'.

Greenpeace UK has a more optimistic outlook. Although it does not comment on CSR specifically, Greenpeace attempts to work with businesses through 'Greenpeace Business', 'a quarterly business newsletter, a lecture series, and more', which attempts to 'explain environmental problems, in the language of business' and 'showcase positive, economically and environmentally sustainable solutions' (Greenpeace UK undated: Online).

Reporting programme guidance on CSR:

Global Reporting Initiative: The Global Reporting Initiative (GRI) is an international organisation that monitors and develops the sustainability reporting assessment, the GRI Reporting Framework. (GRI 2006). The guidelines for the Reporting Framework consist of reporting principles, reporting guidance and standard disclosures. The four reporting principles for content are:

- Materiality—pertains to the organisation's most significant impacts
- Stakeholder inclusiveness—identifies and address stakeholders and their interests
- Sustainability context—presents the organisation's efforts in the context of wider sustainability
- Completeness—sufficiently reports on significant impacts and performance.

The six reporting principles for defining quality are:

- Balance—acknowledges both positive and negative aspects of performance
- Comparability—presents information consistently
- Accuracy—reports only accurate and sufficiently detailed information
- Timeliness—presented on a regular schedule
- Clarity—made available in a form that is easily understood
- Reliability—contains information that has been gathered, recorded, compiled, analysed and disclosed in a way that holds up to close examination.

As reporting guidance, organisations are advised to include all entities 'over which the reporting organization exercises control or significant influence' (GRI 2006: 17). Extensive guidance is also available on standard disclosure, and organisations are encouraged to report on their:

- Strategy and analysis
- Organisational profile
- Report parameters
- Governance, commitments and engagement

- Management approach and performance indicators: economic, environmental, social (labour practices, human rights, society and product responsibility).

ISO 26000 Social Responsibility Standard: The International Organization for Standardization (ISO) will be publishing guidance on social responsibility in 2010. Although the guidelines have not yet been published, ISO notes that there 'is a range of many different opinions as to the right approach ranging from strict legislation at one end to complete freedom at the other'; thus, it is 'looking for a golden middle' which will promote 'respect and responsibility […] without stifling creativity and development' (ISO 2008: Online). The standard 'will not include requirements and thus will not be a certification standard' (ISO 2008: Online).

AA1000 Series: AccountAbility provides external, independent assessment for corporations' sustainability reporting through its AA1000 Series. The series consists of four standards: the AA1000 AccountAbility Principles Standard (2008), the AA1000 Assurance Standard (2008), the AA1000 Stakeholder Engagement Standard (2005) and the AA1000 Stakeholder Engagement Standard (2008). The AA1000 Principles Standard was the first of the series to be developed. Its is made up of three principles (which are also 'at the heart of' the other standards in the series (AccountAbility 2008: 4):

- The foundation principle of inclusivity, which stipulates that an organisation 'shall be inclusive';
- The principle of materiality, which stipulates that an organisation 'shall identify its material issues' that are relevant and significant to the organisation and its stakeholders; and
- The principle of responsiveness, which stipulates that an organisation 'shall respond to stakeholder issues that affect its performance' (AccountAbility 2008: 10, 12, 14).

All three principles should result in the goal of sustainable accountability.

The purpose of the AA1000 series is to 'provide organisations with an internationally accepted, freely available set of principles' to be used to develop 'an accountable and strategic approach to sustainability' (AccountAbility 2008: 8). All commercial use of the AA1000AS (2008) requires a licensing fee of £500 (AccountAbility undated). Organisations can become members of AccountAbility for fees ranging from £120 plus VAT for individual practitioners to £7000 plus VAT for large organisations with more than 250 employees (AccountAbility undated).

GoodCorporation Standard: 62 areas of management practice are assessed, which are broadly classified in six categories:

- Employees
- Customers
- Suppliers and subcontractors
- Community and environment
- Shareholders and other providers of finance
- Management commitment (GoodCorporation 2007).

During the assessment, an independent reviewer verifies that: a policy exists, a system is in place to implement it, records exist which show the system works in practice and stakeholders agree that the system works and is fair (GoodCorporation 2007). Companies are rated against a five point scale, ranging from fail to commendation. Companies that score a three or higher are eligible for GoodCoporation accreditation and are permitted to use the GoodCorporation's accreditation logo (GoodCorporation 2009).

FTSE4GOOD: In order to be included in the FTSE Index Company's FTSE4GOOD index, companies must demonstrate work in five areas:

- Working towards environmental sustainability;
- Developing positive relationships with stakeholders;
- Up-holding and supporting universal human rights;
- Ensuring good supply chain labour standards; and
- Countering bribery' (FTSE 2006: 1).

Companies must demonstrate a commitment to these five areas across their policies, management and reporting. Also, sectors are classified based on the environmental footprint of their sector, ranging from High Impact (including air transport and airports) to Low Impact (information technology, media, property investors, telecoms). In order to be included in the FTSE4GOOD, companies in High Impact sectors are expected to have much more developed and measured actions across all of the five areas. Publically-available policies, public reporting and auditing, and quantitative indicators are key things that FTSE4Good assesses, especially for companies in the High Impact sectors.

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