The evolution of sustainability reporting

A case study of the airlines sector

Name: Glendanique G.E. Minguel
ANR: 278002
Supervisor: E.P.M. Vermeulen

Total words: 19.538
Total pages: 58
Date: August 22nd 2017

Table of Contents

Chapter 1 Introduction

1.1 Relevance

In September 2015, the members of the UN recognized that eradicating poverty in all its forms and dimensions is the greatest global challenge and an indispensable requirement for sustainable development.[1] According to the World Council for Economic Development (WECD), sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[2] Economic growth is necessary in order to fulfill the needs of the present and future generations. However, this economic growth must be supplemented by principles such as environmental integrity and social equity.[3] Currently, billions of people still live in poverty while inequalities within and among countries are rising. In addition, gender inequality and unemployment are major concerns. Furthermore, the depletion of natural resources and climate change have adverse effects for sustainable development of countries. Increases in the global temperature, water acidification and sea level rise due to ice melting can have serious effects for the survival of (low lying) coastal areas and small islands. In order to address these challenges or concerns, the UN adopted the 17 Sustainability Development Goals with 169 associated targets. These new goals and targets would serve to build upon the Millennium Development Goals of 2000 and address targets that were not achieved by the Millennium Goals. In addition to continuing millennium development priorities such as poverty eradication, health, education, food security and nutrition, the new sustainability development goals and targets sets out a wide range of economic, social and environmental objectives. The 17 Sustainability Development Goals are as follows:[4]

Governments around the world have committed themselves to achieving these goals before the year 2030. In order to reach these goals; the government, civil society and the private sector have to work

[1] UN Resolution: *Transforming our world: the 2030 Agenda for Sustainable Development*, 2015, pg. 3

[2] WCED, `*Our Common Future*`, 1987

[3] Kates et.al. 2005, pg. 16 & 17

[4] UN Resolution: *Transforming our world: the 2030 Agenda for Sustainable Development*, 2015, pg. 14

together. The private sector is a key player in reaching these goals. Through the global reach and connectivity of companies it is evident that companies have the capacity to affect society and make a difference towards reaching a more sustainable and developed world.[5] In addition, companies create economic growth while providing employment opportunities and delivering products and services.[6] Economic growth is crucial for sustainable development. By measuring and disclosing their economic as well as social and environmental impacts, companies can work towards sustainable development. Sustainability reporting, as an enabler, is an essential tool that can advance the private sector contribution to global sustainable development.

Moreover, in the last few years there has been an increase in accountability requirements for companies.[7] Multiple scandals and environmental disasters such as the Enron and Worldcom accounting scandals as well as BP`s Deepwater Horizon oil rig explosion have led to a growing demand for transparency about corporate behavior on a number of issues. The call for transparency manifested itself in two different angles that are beginning to overlap each other. First, accountability requirements on the subject matter of corporate governance have expanded to include additional informational such as staff-related or ethical issues. Second, sustainability reporting has emerged separately from the traditional governance framework and covers a range of issues, including financial information.[8] Consequently, the information provided from these two angles are starting to overlap. To summarize, sustainability reporting can be seen as a tool to achieve sustainable development but it is also a result of pressure from society for an increase of accountability requirements and transparency from companies.

The number of companies that report on their sustainability aspects have increased over the years and there has also been some change in the amount and type of information that is being disclosed.[9] This demonstrates that sustainability reporting is evolving and becoming more popular with companies. Hence, this thesis will explore the evolution of sustainability reporting. The thesis will analyze sustainability reporting from a number of companies in order to discover (new) trends or developments and weaknesses with regard to sustainability reporting. The ultimate goal is the hope that this thesis will provide more clarity on sustainability reporting and help with the future development of sustainability reporting.

Sustainability reporting or corporate social responsibility reporting (CSR) is defined in various ways in the literature and by institutions. The Global Reporting Initiative (GRI), the leading organization in guidelines and standards for sustainability reporting has defined sustainability reporting as "*a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities".*[10] Moreover, a sustainability report elaborates on the values and governance framework of a company and demonstrates the link between company's strategy and their commitment to (global) sustainable development.[11]

[5] GRI: Sustainability Disclosure Database, SDG Target 12.6
[6] Eccles and Serafeim 2014, pg. 2
[7] Kolk 2006, pg. 2
[8] Idem
[9] Idem pg. 5
[10] GRI: about sustainability reporting
[11] Idem

In the literature, sustainability reporting is also referred to as triple bottom line reporting. Triple bottom line reporting refers to the three P`s: Profit, People and Planet. The term triple bottom line was introduced by the founder of the British consultancy firm SustainAbility, John Elkington, in 1994. Elkington argued that companies should prepare three different and separate bottom lines.[12] The first one is the accounting of a company`s profit, the bottom line of profit and loss. Secondly, the bottom line of a company`s people account, meaning an accounting of how socially responsible a company has carried out his operations. Finally, a bottom line of the company`s planet account, measuring how environmentally responsible a company has behaved. A company that delivers a triple bottom line is taking into account the full cost of doing business, including the social and environmental cost. The GRI also uses the triple bottom line. However, instead of referring to the three P`s, the GRI uses the terms economic, social and environmental. To avoid confusion, the terms provided by the GRI is more desirable. When discussing sustainability this thesis will explore the full impacts of companies` economic, environmental and social disclosures.

Sustainability reporting has been researched by various scholars and organizations. Some have examined sustainability reporting in a worldwide concept while others have adopted a sector specific approach to sustainability reporting. In order to assist in identifying (new) trends in sustainability reporting, this thesis will explore sustainability reporting practices in one sector: the airlines sector. There has been significant research about sustainability reporting in the popular sectors such as oil and gas, energy, automotive, chemicals etc. However, research of sustainability reporting practices with regard to the airlines sector is sorely lacking. For that reason, the airlines sector has been chosen as a suitable sector for research regarding sustainability reporting.

1.2 Research questions

The main purpose of this thesis is to describe the evolution of sustainability reporting. To assist in this endeavor, this dissertation is divided in 4 chapters which will attempt to elaborate on the evolution of sustainability reporting. The first chapter introduces the main topic and explains why this topic is relevant in our current society. In addition, chapter 1 also mentions the limitations and methodology of this dissertation. Chapter 2 discusses the concept of sustainability reporting. It will describe the historical development of sustainability reporting as well as the motivations for the practice of sustainability reporting. Furthermore, existing sustainability reporting frameworks will also be introduced in this chapter. Chapter 3 contains a study of sustainability reporting in the airlines sector. Sustainability reporting will be evaluated on the basis of performance indicators developed by the GRI. The last chapter examines the previous chapters in order to elaborate on the (new) trends in sustainability reporting. In addition, it will also elaborate on some concern and suggestions for sustainability reporting as well as discussing the future of sustainability reporting. Finally, at the end there is a conclusion which summarizes the main findings and suggestions.

1.3. Methodology

The research method conducted in this thesis is empirical research. This means that the research in this thesis is based on observations of facts; in other words, data.[13] In this thesis I consult both historical as contemporary data in order to answer the main research question. Furthermore, the research conducted in this thesis is both descriptive as evaluative. Search engines such as Google (Scholar) and

[12] The economist 2009

[13] McConville 2007, pg. 18

the Tilburg University search engine were used in order to assist in collecting information. Key words used in search engines were: sustainability, sustainability reporting, corporate sustainability reporting, triple bottom line, sustainability reporting criteria, sustainability surveys and sustainable development (goals),sustainability reporting surveys, sustainability reporting frameworks and Global Reporting Initiative. Furthermore, the websites of relevant airline companies were consulted in order to find sustainability (or integrated) reports.

Chapter 2 Sustainability reporting

Sustainability reporting and the role of companies is not an entirely new phenomenon. Some form of sustainability reporting can be traced back to the 1940`s.[14] On that account, this chapter aims to elaborate on the (historical) development of sustainability reporting throughout the years. In addition, this chapter will explore the motivations for sustainability reporting. Finally, this chapter will discuss current sustainability reporting guidelines and standards issued by different organizations.

2.1. Historical development of sustainability reporting

As previously mentioned, some form of sustainability reporting can be traced back to 1940`s to the work of professor Theodore J. Kreps.[15] Kreps argued that the standard profit-loss accounting of companies was inadequate. He began researching for ways to measure the contribution of companies to the overall goals of the economic system. These goals included health and education, opportunities for individuals, innovations, international peace and the democratization of business.[16] The next major work that can be seen as a precursor of sustainability reporting is the work of Howard R. Bowen who developed a system for outside auditors to measure the performance of companies on matters such as wages, human, public and community relations. Although the audit was conducted by independent auditors, the information was intended for internal use only and was not to be made available to the public.[17] Herein lies a major difference from Kreps who argued for external use of social auditing.

In the 1970`s, the first wave of corporate accountability in the form of social reports emerged. Most reports were published by large multinational companies in the U.S. and Western Europe.[18] As social reporting developed in 1970`s, the tension between social reporting for external and internal use remained. Many companies experimented with social reporting. However, still a significant number of companies choose to keep this information for internal use only. In response, external stakeholders developed their own social auditing measures in order to recognize the socially irresponsible ones. The pressure for external sustainability reporting increased and the consensus at the time was that soon governments would get involved and enact new regulation for external social auditing. This, however, was not to be the case. In the 1980`s, social reporting lost its momentum.[19] This is partly due to the recession, and elevation of business interest. In addition, corporations became more reluctant of social reporting because they wanted to avoid social criticism. It also did not help that social reporting was not institutionalized as many had expected. As a result, this was the end of social reporting experiments.

In the 1990`s social reporting emerged again. In that period NGOs started to express concerns about the negative implication of globalization. Demonstrations took place at international panels such as the WTO and G7 in Genoa.[20] Anti- globalization publications attracted attention and caused more protest against globalization. Companies, especially multinationals, were targeted to provide information about their measures and procedures that dealt with social and environmental responsibility such as human

[14] Hess 2008, pg. 17
[15] Idem pg. 18
[16] Idem pg. 18
[17] Idem pg. 18
[18] Kolk 2010, pg. 368
[19] Hess 2008 pg. 19 & Kolk 2010 pg. 368
[20] Kolk 2003 pg. 280

rights violations, GHG pollution and other externalities resulting from globalization. This started the practice of sustainability reporting.[21]In addition, governments also began to involve themselves with explicit regulation of sustainability reporting or by providing support for voluntary disclosure. Recommendations were published by both the government as well as NGOs to support sustainability reporting. One of such organizations is the Global Reporting Initiative (GRI) that has developed guidelines for sustainability reporting. The GRI will be elaborated in section 2.3.1. Since the GRI, the practice of sustainability reporting has increased to cover a whole range of issues such as environmental issues (carbon footprint, recycling etc.) and social issues (child labor, gender equality etc.)

Currently, 92% of the Fortune Global 250 companies practice sustainability reporting.[22] A report of corporate responsibility reporting (CR) published by KPMG shows that the rate of sustainability reporting with regard to the Fortune Global 250 companies is expected to stay between 90-95% with the Asia Pacific region being the leader in sustainability reporting compared to Europe, America, Middle East and Africa.[23] The European average of sustainability reporting is affected by the low % of sustainability reporting from Eastern Europe.

At present, companies report on their sustainability in different ways. From stand-alone sustainability reports, separate sections of sustainability practices in annual reports as well as companies' webpages dedicated to sustainability reporting/practices and integrated reports. The practice of including both financial and non-financial information (environmental, social and governance (ESG)) in reports is referred to as integrated reporting. According to the KPMG CR Report, countries with the highest rate of integrated reporting are those with regulation requiring sustainability disclosure in (annual) reports (integrated reporting).[24] These countries include: India, Malaysia, Indonesia, South Africa, France, UK, Norway and Denmark. As a consequence, it can be surmised that regulation or formal requirements are a major driver for sustainability/integrated reporting. However, companies in other countries without regulation for sustainability reporting still practice sustainability reporting. The next section will explore the drivers for voluntarily practicing sustainability reporting.

2.2. Motivations for sustainability reporting

As stated above, sustainability reporting has become more popular and the practice of sustainability reporting has also increased. This is intriguing due to the fact that for the most part sustainability reporting is a voluntary practice. Before, in the 1980`s, companies stopped social reporting since the disclosure of social reports would invite criticism of their practices. The same can be said about sustainability reporting. Yet companies are currently voluntarily disclosing information in sustainability reports. This section will thus explore the motivations of companies for sustainability reporting. The first reason for the voluntary disclosure of sustainability information is evident. Namely, public pressure.

Public pressure was already a reason for disclosure of sustainability information since the 1970`s and it still is one of the major reasons for sustainability reporting. Various studies across the world have shown that public pressure has significant influence on the decision of disclosing sustainability information of a company.[25] For example, Guthrie and Parker found in a study of social reporting by an Australian mining

[21] Kolk 2003, pg. 280
[22] KPMG 2015, pg. 30
[23] Idem
[24] KPMG 2015, pg. 37
[25] Lee and Hutchison 2005, pg. 94

firm that public pressure and social reporting are related to each other in some periods.[26] In another study from Guthrie and Parker of the U.K., U.S., and Australia they concluded that most disclosures are a reaction to public pressure and governmental pressure.[27] Governmental pressure will be discussed later in this section. Larringa-Gonzales found that sustainability reporting by Spanish firms are related to firm desire to shape the public environmental agenda pursued.[28]

Closely related to the above mentioned motivation of public pressure is publicity. Publicity refers to media attention and exposure. Deegan et. al, concluded in a study of BHP Ltd. that there is a significant positive correlation between environmental disclosures and media attention, and find positive environmental disclosures related to negative media attention.[29] Patten found that even after controlling for media exposure, publications of toxic release inventory figures is still significantly associated with environmental disclosure levels.[30] Thus, media coverage or attention is another reason for sustainability reporting. Positive media attention may improve the image of a company and have an effect on companies' performance. On the other hand, negative media attention may pressure companies to improve their sustainability practices and provide positive sustainability disclosures. However, media attention can also have the effect that companies may disclose information that is (only) positive and not negative in order to maintain the positive image. In that case, one has to question the effectiveness of sustainability reporting.

Another motivation for sustainability reporting can be found in the legitimacy theory. The legitimacy theory presumes that companies operate within the bounds and norms of society.[31] These bounds and norms change over time and therefore require companies to react to such changes. There is a `social contract` between companies and those affected by companies' action/operations. It is expected that companies comply with the terms of these 'social contracts. ` Studies conducted by Deegan and Gordon of Australian companies have shown that levels of corporate environmental disclosures are associated with the desire of companies to be legitimate.[32] Hurst has also argued that the legitimacy of companies are threatened when public performance expectations conflict with the actual performance of companies. This is what is called a `legitimacy gap`.[33]

Other contributing factors for sustainability reporting mentioned in the literature are as follows:

A. Influence of a discrediting event, such as an environmental disaster and its associated publicity.[34]
B. Ownership and size of companies, with public and large companies disclosing more sustainability reports.[35]

---

[26] Guthrie and Parker 1989.
[27] Guthrie and Parker 1990.
[28] Larrinaga et.al 2001, pg. 18-22
[29] Deegan et. al. 2002
[30] Patten 2002
[31] Deegan and Brown 2002 pg. 22
[32] Idem
[33] Idem
[34] Lee and Hutchison 2005, pg. 95
[35] Cormier and Gordon 2001, Cormier and Magnan 2003 and Lee and Hutchinson 2005, pg. 97

C. Industry affiliation. The practice of sustainability reporting is higher for companies in environmentally sensitive industries such as chemical, oil, gas, power, automobile and airline industries.[36]
D. In order to create awareness of environmental issues throughout the company and thus facilitating the implementation of sustainability strategy.[37]
E. Enhanced ability to track progress against specific targets due to the comprehensive view presented by sustainability reports.[38]

While there are a number of factors contributing to sustainability reporting, there are still some who are sceptic of sustainability reporting. Gray and Milne argue that it is almost impossible to report on the sustainability of an organization.[39] According to them, it is not possible to get a complete and transparent statement about the sustainability of a company due to the lack of complex and detailed analysis of the company`s interactions with ecological systems , resources, habitats and societies interpreted against the company`s past and present impacts on those systems. In addition, it is difficult to determine how a sustainable company would look like and therefore almost impossible to report on its sustainability. Furthermore, Gray and Milne accentuate that even though it is nearly impossible to determine the sustainability of a company, this is not an argument to cease attempts that seek to address the sustainability of companies. Gray and Milne are correct. Sustainability is broadly defined as managing the needs of the present without compromising the ability of future generations to meet their own needs.[40] It is not clear how this should be achieved. Various organizations have attempted to give meaning and essence to sustainability and developed practices to achieve sustainability. Hence sustainability reporting to measure the sustainability of companies, which are crucial for future sustainability. However, it remains difficult to develop standards or criteria of what sustainability should encompass.[41] This does not mean that efforts towards sustainability should cease to be, but that we still have much to learn.

Besides the difficulty of sustainability reporting, there are other reasons why companies may choose to not report on their sustainability practices. These are the following:[42]

A. Uncertainty about advantages of sustainability reporting for the company.
B. Competitors are not publishing sustainability reports.
C. Existing favorable sustainability performance/reputation.
D. It is too expensive.
E. Difficulty in collecting consistent data from operations and selecting correct indicators.
F. Damage to companies' reputation when disclosing sustainability performance of the company.

In a sense, companies practice sustainability reporting on the basis of a cost/benefit analysis. Companies weigh all the advantages and disadvantages of voluntary reporting. In such an analysis all internal and external pressures from various stakeholders are balanced against each other in order to determine if

[36] Kolk 2010, pg. 368
[37] Idem
[38] Idem
[39] Gray and Milne 2002, pg. 3
[40] WCED, `*Our Common Future*`, 1987
[41] Thwink: sustainability
[42] Kolk 2010, pg. 368 and Elkington 1998

and to what extend the companies will disclose their sustainability performance or information.[43] In order to assist in this endeavor, guidelines and standards developed by organizations are very useful. The next section will elaborate on existing sustainability reporting guidelines.

2.3. Sustainability reporting frameworks

As sustainability reporting has developed throughout the years, global guidelines and standards with regard to sustainability reporting have been developed as well by various organizations. The most recognized global standards originate from these organizations: the Global Reporting Initiative (GRI) Guidelines, the United Nations (UN) Global Compact, the Organizations for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (MNEs) and the International Standard Organization`s Guidance on Social Responsibility (ISO26000).[44] This section will briefly elaborate on standards and guidelines provided be these organizations. In chapter 4, the differences and communalities between the guidelines of the different organizations will be analyzed in order to discuss new trends in sustainability reporting.

2.3.1. The Global Reporting Initiative Guidelines

The GRI guidelines and standards for sustainability reporting are the most commonly used standards by companies. The roots of the GRI can be traced back to the organization Coalition for Environmentally Responsible Economies (CERES).[45] In 1997, CERES established the GRI department whose aim was to create accountability mechanisms to ensure companies were following the CERES Principles for responsible environmental conduct such as: sustainable use of natural resources, energy conservation, protection of the biosphere, audit and reports etc.

The GRI department established a multi-stakeholder Steering Committee to develop the organization`s guidance. On the advice of the Steering Committee, the GRI`s guidance was expanded to include social, economic and governance issues, transforming the GRI`s guidance in the first sustainability reporting framework consisting of Reporting Guidelines. In the year 2000, GRI launched its first version of the Sustainability Reporting Guidelines and separated from the CERES organization in 2001.

Since the GRI`s relocation to Amsterdam in the Netherlands, the GRI has issued more versions of the Sustainability Reporting Guidelines. This thesis does not lend itself to an analysis of all versions of the Reporting Guidelines thus only the latest version will be analyzed. The latest version of the Reporting Guidelines is the G4 Reporting Guidelines. However, the GRI has already developed and published new standards that supersede the G4 Reporting Guidelines. The G4 Reporting Guidelines are valid till the 30th of June 2018. Use of the GRI Standards will be required for all reports published on or after July 1st 2018. The GRI Standards are based on the content of the G4 Guidelines and contains some changes and improvements with respect to the G4 Guidelines. As such, this thesis will analyze the content of both the G4 Guidelines and GRI Standards by highlighting the differences and similarities in the content of the G4 Guidelines and GRI Standards.

Both the G4 Guidelines and the GRI Standards contain reporting principles which companies have to adhere to in order to achieve a high quality of sustainability reporting. Without compliance with the reporting principles, companies cannot claim that their sustainability report is in accordance with the G4

[43] Kolk 2010, pg. 368 and Lee and Hutchinson 2005, pg. 99.
[44] Fortanier et.al. 2011, pg. 669 and GRI website
[45] GRI website

Guidelines/Standards. These reporting principles are: stakeholder inclusiveness, sustainability context, materiality, completeness, accuracy, balance, clarity, comparability, reliability and timeliness.

The G4 Guidelines and GRI Standards both contain general standards disclosures as well as topic specific standards disclosure. The general standards relate to the organizational profile, strategy, ethics and integrity, governance and stakeholder engagements of a company. The purpose of this information is to assist stakeholders in understanding the context of a company. The topic specific standards disclosures relate to three main topics of economic, social and environmental impacts. In turn each of the main topics is divided in sub topics that must be addressed. The GRI provides a mapping tool with the differences and similarities between the GRI G4 Reporting Guidelines and the GRI Standards.[46] This mapping tool demonstrates that most of the general standards disclosures are not revised while the most revisions relate to the topic specific standards of environmental and social impacts.

Other differences between the G4 Guidelines and GRI Standards are:[47]

- New modular structure: The G4 is divided in two parts. The first part are the G4 Guidelines while the second part contains an implementation manual of the G4 Guidelines. On the other hand, the GRI Standards are organized as a set of modular, interrelated standards.
- Revised format with clearer requirements: The GRI Standards provide more clarity on the distinctions between requirements, recommendations and guidance.
- Content clarifications: Key terms and disclosures from the G4 have been clarified in the GRI Standards
- Flexibility and transparency in how to use the GRI Standards
- Restructuring selected content: some aspects from the G4 have been merged or integrated in other sections in the GRI Standards in order to reduce duplication and enhance consistency of the GRI Standards
- Editing of content from the G4 in order to provide greater clarity and simpler language in the GRI Standards.

With regard to the G4 Guidelines and GRI Standards, most of the key concepts and most disclosures of the G4 are contained in the GRI Standards. As a consequence, transitioning from the G4 Guidelines to the GRI Standards may not be too burdensome for companies.

2.3.2. The United Nations Global Compact

The United Nations Global Compact is an initiative of the United Nations (UN) launched in 2000 in New York. The UN Global Compact has two objectives. First objective is to stimulate companies into adopting socially and sustainable policies in order to advance broader societal goals such as the Sustainable Development Goals. Second, to stimulate companies to do business responsibly by adhering to the Ten Principles on human rights, labor, environment and anti-corruption.[48] The Ten Principles of the UN Global Compact may provide a starting point or framework for companies practicing sustainability reporting. These Ten Principles are:

1. Support and respect the protection of internationally proclaimed human rights; and

[46] GRI: Mapping G4 to the GRI Standards- complete excel file
[47] GRI: Questions about transitioning from G4 to GRI Standards
[48] UN Global Compact: The Ten Principles

2. Make sure that they are not complicit in human rights abuses.
3. The freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labor
5. The effective abolition of child labor; and
6. The elimination of discrimination in employment and occupation
7. Support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

After mentioning the Ten Principles it is evident that the UN Global Compact does not differ significantly from the GRI Standards or G4 Guidelines. The reason for this is that the UN Global Compact is a partner of the GRI. In 2010 the UN Global Compact and the GRI signed an agreement to align their work in advancing corporate responsibility and transparency. The GRI agreed that in future versions of the Reporting Guidelines the Ten Principles of the UN Global Compact would be incorporated. The UN Global Compact in turn would recommend the GRI Reporting Guidelines to companies that joined the UN Global Compact initiative. As the GRI Guidelines are currently the most used framework for sustainability reporting, there is no doubt that this was a positive development for both the GRI and UN Global Compact. The GRI database of sustainability reports and integrated reports is growing, advancing the objectives of both the GRI and the UN Global Compact.

2.3.3. The OECD Guidelines for MNEs

The OECD Guidelines for MNEs are an annex to the OECD Declaration on International Investment and Multinational Enterprises. The Guidelines are recommendations consisting of principles and standards for responsible business conduct for MNEs operating from or in countries party to the Declaration. The Guidelines have been revised multiple times in order to reflect changes in the landscape for international and MNEs. The last version of the Guidelines is from 2011. The aim of the Guidelines is to promote positive contributions by enterprises to economic, environmental and social progress worldwide.[49] In addition, the OECD Guidelines for MNEs aim to ensure that operations of MNEs do not conflict with government policies, to strengthen the mutual confidence between MNEs and the societies in which they operate, to assist in improving the global investment climate and to enhance the contribution to sustainable development made by MNEs.[50] Although the Guidelines are a voluntary commitment, the countries adhering to the OECD Guidelines for MNEs make a binding commitment to implement them in accordance with the Decision of the OECD Council on the OECD Guidelines for MNEs. Moreover, the OECD Guidelines for MNEs may also be subject to national law and international commitments.[51]

Similar to the GRI and UN Global Compact, the OECD Guidelines offers advice and recommendations on a number of aspects relevant for companies. These aspects are:

- Human Rights
- Disclosure

[49] OECD Guidelines for MNE`s 2011 Preface, pg. 3
[50] OECD Guidelines for MNE`s 2011, pg. 15
[51] Idem

- Employment and industrial relations
- Environment
- Combating bribery, bribe solicitation and extortion
- Consumer interests
- Science and Technology
- Compensation
- Taxation

Besides becoming a partner with the UN Global Compact in 2010, the GRI also closed a partnership with the OECD. While the Ten principles of the UN Global Compact are incorporated in the GRI, the OECD Guidelines for MNEs are seen as complementary to the GRI.[52] The reason for this is that the OECD Guidelines for MNEs are the most comprehensive CSR instrument developed by governments while the Sustainability Reporting Guidelines are unique in providing the most comprehensive framework to measure progress on sustainability issues.[53]

2.3.4. ISO 26000

In November 2010, ISO published the Guidance Standard on Social Responsibility, ISO 26000. ISO 26000 provides guidelines on how companies can operate in a socially responsible way. Consequently, the aim of ISO 26000 is to assist organizations in contributing to worldwide sustainable development.[54] It seeks to advance a common understanding of social responsibility while complementing other existing tools and initiatives. However, unlike other ISO standards, ISO 26000 does not contain requirements so it cannot be used for certification. ISO 26000 contains seven core subjects of social responsibility. The core subjects are the following:

- Human Rights
- Labor practices
- Environment
- Fair operating practices
- Consumer Issues
- Community involvement and development

In addition to the seven core subjects of social responsibility, the ISO 26000 also contains some principles on social responsibility such as:

- Accountability
- Transparency
- Ethical behavior
- Respect for stakeholder interests
- Respect or the rule of law
- Respect for international norms of behavior
- Respect for human rights

[52] GRI: alliances and synergies: OECD and GRI Partnership
[53] GRI: alliances and synergies: OECD and GRI Partnership
[54] ISO 26000, 2010: Guidance on social responsibility.

How to implement and execute the core subjects and principles may be confusing. Therefore, the ISO 26000 provides guidance on how to implement its guidelines. Companies should first review the principles of social responsibility. Afterwards, when addressing the core subjects of social responsibility companies must respect the principles. Once companies understand the principles and their relation to the core subjects and relevant issues of social responsibility have been identified, companies must integrate these in their business decisions and activities.[55]

As stated above, the ISO 26000 complements and does not replace other existing tools and initiatives. Thus, the ISO 26000 would not replace the GRI but complements it. This is also recognized by both the GRI and ISO. The GRI and ISO signed a Memorandum of Understanding in 2011 to increase their cooperation. The GRI has also published a linkage document highlighting the synergies between the ISO 26000 and the GRI Guidelines for Sustainability Reporting.[56]

To summarize this chapter, sustainability reporting really took off in the 1990`s. The formation of the GRI and its Guidelines are seen as major victories for sustainability reporting. Beside these contributions there are other factors that contributed to the practice of sustainability reporting. Public pressure, publicity, regulation, legitimacy etc. were among factors that motivated companies for publishing sustainability reports. However, even when sustainability reporting is growing, there are some who prefer not to publish sustainability reports for reasons such as: reporting is expensive, lack of reports from competitors etc. In order to assist in sustainability reporting, sustainability frameworks were formed by different organizations such as the GRI, UN Global Compact, OECD Guidelines for MNEs and the ISO 26000. Currently, the GRI is the most used sustainability reporting framework. Thus, the following chapter will analyze the GRI Guidelines with respect to the airlines sector.

[55] Idem pg. 16
[56] GRI resource library

Chapter 3 Sector study of the airlines sector

As mentioned in the introduction chapter, current research of sustainability reporting in the airlines sector is lacking. There have been attempts in the past to study sustainability reporting in the airlines or airports sector such as the PwC Report on airline CSR 2011, the GRI Report of sustainability reporting in the airports sector of 2009 and an article about airport sustainability reporting by Koc and Durmaz.[57] In addition, the GRI has separate disclosure guidelines for the airports sector but not for the airlines sector.[58]However, a study of current sustainability reporting practices in the airlines sector or GRI guidelines for the airlines sector could not be found.

Since the last PwC Report on airline CSR 2011, sustainability practices may have changed due to a number of factors such as the introduction of the G4 Guidelines in 2013 or for example public and governmental pressure due to the introduction of the Sustainability Development Goals in 2015. Consequently, this chapter will analyze these changes by studying sustainability reporting practices of the 5 largest airline companies in Europe. The choice was made to limit the research to the European region since a study of the largest airline companies across the world would require extensive research which cannot be reconciled with the parameters of this thesis.

According to Worldatlas, the five largest European airline companies are (by order of largest to smaller):[59]

1) Ryanair based in Ireland
2) Lufthansa Group based in Germany, Switzerland and Austria
3) International Airlines Group IAG) based in the UK, Spain and Ireland
4) Air France-KLM based in France and the Netherlands
5) EasyJet based in the UK and Switzerland

Since the sustainability framework provided from the GRI is most commonly used by companies, the performance indicators provided by the G4 Guidelines will be used in order to assess the sustainability practices in the European airline sector. The GRI Standards will not be consulted since the Standards were only introduced in late 2016 and it is doubtful that the GRI Standards have been implemented in current sustainability reports. Only sustainability/annual reports from the year 2016 or sustainability information contained on respective airline webpages will be consulted in order to assess current sustainability practices in the airline sector. To that end, I would like to first disclose the reports or information on which the analysis is based.

Disclosure on the sustainability practices of Ryanair can be found in the annual report 2016 as well as on the Ryanair website.[60] The information is identical so only the annual report will be consulted. Contrary to Ryanair, Lufthansa does have a separate sustainability report that will be consulted instead of the annual report.[61] IAG is the holding company of Aer Lingus, British Airways, Iberia and Vueling. The IAG consolidated annual report of 2016 will be consulted for the analysis.[62] IAG does not contain a

[57] PwC 2011, GRI 2009, Koc and Durmaz 2015
[58] GRI 2014
[59] Pariona 2017
[60] Ryanair annual report 2016
[61] Balance: key data on sustainability within the Lufthansa Group 2016
[62] IAG annual report 2016

consolidated separate sustainability report. However, Air France-KLM does contain a separate sustainability report 2016 which will be consulted.[63] With regard to EasyJet, the annual report will be consulted in order to assess their sustainability practices.[64]

As mentioned in chapter 2, the G4 Guidelines consist of general standards disclosure and topic-specific standards disclosure. Both the general standards disclosure as the topic specific standards disclosure will be analyzed. The following sections contain the results of the analysis. In order to clarify the results, examples from the relevant reports may be provided.

3.1. General standards

Appendix 1 demonstrates which airlines companies comply with general standards disclosure provided by the G4 Guidelines. The results will be analyzed individually in this section.

Strategy and analysis

With the exception of Air France-KLM, all of the reports contain a statement of the decision-maker. All of the companies disclose information on the key impacts, risks and opportunities. However, the annual reports tend to focus more on the financial dimension instead of the environmental and social dimension.

Organizational profile

Most of the reports communicate the organizational profile of their companies. However, Air France-KLM once again does not communicate much information of their organizational profile other than their name, external initiatives and memberships associations. Both Lufthansa and Air France –KLM do not mention the ownership structure of their company.

With respect to information about employees, the G4 Guidelines require disclosure on a number of issues such as total number of employees by contract and gender, by employment type (full time/part-time), total workforce by region and gender and if workforce consist of self-employed individuals, contractors etc.[65] While analyzing the reports it was noticed that while companies report on their total workforce number, they do not do this by region or by specifying employment type. A majority of the companies do however, report on the percentage of women and men working for their company on several levels. For example, 45% of the total workforce of the Lufthansa group are female, 15 % of executives are female, 40 % of the Lufthansa executive Board are female, 6 % of the pilots are female and 81% of the cabin crew are female.[66] For IAG, 44% of the total workforce is female, 27% of the senior management is female and 25% of the Board is female. However, Ryanair does not divulge the gender of the total workforce, only the number. With regard to collective bargaining agreements, both Ryanair and IAG have collective bargaining agreements for their employees but these companies fail to mention the percentage of employees covered by collective bargaining agreements as required by the implementation manual of the G4 Guidelines. As a consequence, it was decided that even though

[63] Air France- KLM CSR report 2016
[64] EasyJet annual report 2016
[65] G4 Sustainability Reporting Guidelines: Implementation manual 2013
[66] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 80-81

companies have collective bargaining agreements, they do not comply with the collective bargaining agreements indicator.

The supply chain is an important part of sustainability practices of companies. Companies that use unsustainable suppliers may face backlash from the public. For example, products made by child labor or in inhumane circumstances are regarded negatively by the public. The implementation manual of the G4 provides examples of elements that have to be disclosed with regard to the supply chain. For example:[67]

- Sequence of activities and parties that provide products and services to companies
- Number of suppliers in the supply chain
- Location of suppliers by region or country
- Types of suppliers
- Payment made to suppliers

When analyzing the reports, it was noticed that none of the companies described their supply chain. They do mention that suppliers are screened for human rights (Lufthansa group have Group Purchasing Guidelines for suppliers) or that that a new fleet has been bought. The companies do not give detailed information as required by the G4 about their supply chain. For this reason, none of the companies were deemed to comply with the supply chain disclosure. However, they do describe some of the changes to their supply chain such as a decrease of increase of their fleet. Ryanair ordered 200 Boeing 737-Max 200 aircrafts to be delivered from 2019 onwards.[68] IAG has purchased 37 new aircrafts and retired 4 aircrafts from the fleet.[69]

Material aspects and boundaries

All of the companies report on materiality. However, there is a difference in which type of materiality is described. Ryanair and EasyJet describe their financial materiality in their annual reports. The overall materiality for EasyJet is 24.7 M pounds and 67 M euros for Ryanair.[70] IAG, Lufthansa and Air France-KLM describe their sustainability materiality. These companies consulted with stakeholders in order to be able to determine material matters. Lufthansa and Air France-KLM provide a materiality matrix in their reports while IAG elaborates on the most material matters of their company in an overview.[71] Interesting is that some material matters can be found across all three companies. For example: noise reduction, air quality, safety and security, fuel consumption, climate protection, sustainability in supply chain. This demonstrates that some material matters are not company specific but sector specific. In addition, it also shows the importance of these material aspects for the airlines industry.

Stakeholder engagement

As mentioned above, the companies IAG, Air France-KLM and Lufthansa engaged in stakeholder engagement in order to assist in their sustainability strategy. IAG does not mention stakeholders

[67] G4 Sustainability Reporting Guidelines: Implementation manual 2013, pg. 29
[68] Ryanair annual report 2016, pg. 29
[69] IAG annual report 2016, pg. 48
[70] EasyJet annual report 2016, pg.80 and Ryanair annual report 2016, pg. 41
[71] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 22, IAG annual report 2016, pg. 49-50 and Air France-KLM CSR report 2016, pg. 7

consulted but Air France-KLM and Lufthansa consulted the following stakeholders: suppliers, investors, shareholders, governments, legislators, authorities, local communities, NGO`s, employees etc.

Report profile

With regard to the reporting profile, all of the companies do provide information on the reporting period, date of recent report, reporting cycle and contact point for questions regarding the report. Ryanair, Air France-KLM and Lufthansa provide a contact point for questions. Air France-KLM, IAG and Lufthansa all set up their sustainability disclosure following the guidelines provided by the GRI. It is important to mention that just because they use the G4 Guidelines this does not mean that their report is in accordance with the G4 Guidelines. According to the implementation manual it has to be explicitly mentioned that the report is in accordance with G4 Guidelines and also which GRI index for general standard disclosure was used. The GRI recognizes two possible index. The first is the core index in which the governance structure is minimally disclosed. The second option is the comprehensive index where the governance structure is fully disclosed.[72] Ryanair, Lufthansa and Air France-KLM have external assurance. However, the external assurance of Ryanair only extends to the financial statements while Air France-KLM refers to the assurance in another document. The external assurance of Lufthansa with respect to emissions is available in the sustainability report.[73]

Governance

All of the companies report on issues related to corporate governance. Notably, Lufthansa did not provide a governance structure for the Lufthansa group. All of the companies disclose the responsibility of executives for economic, environmental and social topics. This is a positive development with regard to sustainability reporting. The involvement of executive levels in the economic, environmental and social topics indicates that sustainability is regarded as a crucial aspect of companies. The analysis also indicates the following:

- Analyzed companies with annual reports contain more disclosure on the topic of corporate governance. Ryanair, IAG and EasyJet comply with more indicators than Lufthansa and Air France-KLM.
- It can be presumed that pure financial aspects of corporate governance such as remuneration policies and annual compensation may not be described in sustainability reports.
- Aspects of corporate governance that do not directly relate to environmental and social issues also do not appear in sustainability reports. For example, nomination and selection of highest governance body and committees, conflict of interest etc.

Ethics and Integrity

Ethics and integrity and compliance thereof are mentioned by all of the companies. However, only Air France -KLM complies with (most) of the requirements demanded from this indicator by the G4 Guidelines. According to the implementation manual companies have to indicate how ethics have been developed, implemented and approved, including: whether training is provided regularly, if the code of conduct is read and signed regularly and who has responsibility for ethics. Most of the companies do mention that ethics and integrity is regulated in a code of conduct of charter. However, they do not

[72] G4 Sustainability Reporting Guidelines: Implementation manual 2013, pg. 46-51
[73] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 117

mention all of the requirements of the indicator (with the exception of Air France-KLM). It is misleading to assume that only Air France-KLM has provisions for ethics and integrity. Ryanair has the Ryanair Code of Business and Integrity which is reviewed and approved by the Audit Committee of the Board annually.[74] In case of grievance, the CEO and management at all levels much insure compliance with the Code and have an open door policy which is handled prompt and confidentially. Air France-KLM have several code of conducts that are based on international standards (such as the Universal Declaration of Human Rights, the UN Principles on Business and Human Rights etc.). Grievance mechanism such as whistleblowing procedures are also available to employees.[75] Lufthansa has an ombudsman who handles information concerning breaches of compliance. The informant may stay anonymous and the ombudsman is bound by secrecy and can refuse to provide information to public authorities.[76]

Total indicators

The total indicators demonstrate that IAG complies the most with the G4 general standards disclosure. This is remarkable since the IAG does not provide a separate sustainability report but instead includes a sustainability section in their annual report. In addition, both companies (Lufthansa and KLM) that have separate sustainability reports and who claim to follow the G4 Guidelines perform less with regard to general disclosure. This is due to the minimal disclosure of Lufthansa and KLM with regard to the organization profile and governance aspects in their sustainability reports.

3.2. Economic

This section will elaborate on the results of the economic specific standard disclosure. The economic specific standard does not relate to financial information about companies. It relates to the impacts of the organization on economic conditions of relevant stakeholders and on economic systems at local, national and global levels.[77] Only the two aspects of economic performance and indirect economic impacts will be discussed. The other aspects of market presence and procurement practices will not be mentioned since companies did not comply with those two aspects. Appendix 2 reveals the indicators used for the economic specific standard disclosure.

Economic performance

With the exemption of Air France-KLM all of the companies disclose the direct economic value generated. This information can be found in the financial statements in the reports. Most of the companies elaborate on their risks but companies have not elaborated on risks and opportunities specific to climate change. Benefit plans are mentioned in some reports but not to the extend required by the G4 implementation manual. None of the reports disclose information about financial assistance received from the government.

[74] Ryan annual report pg. 19 and 23
[75] Air France KLM CSR report 2016, pg. 22
[76] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 26
[77] G4 Sustainability Reporting Guidelines: Implementation manual 2013, pg. 62

Indirect economic impacts

Even though appendix 2 shows that companies do not disclose on indirect economic impacts (infrastructure investments and services), it should not be presumed that companies do not invest in infrastructure. Some of the companies do invest in infrastructure and services. However, they do not disclose sufficient information in order to comply with the G4-EC7 indicator. For example, Lufthansa and Air France-KLM are involved in programs that actively seek to improve the infrastructure in the airlines and airport sector.[78]

Total indicators

With the exception of Air France-KLM, the total indicators for each company is one. This may suggest that companies do not disclose information with regard to the economic dimension of sustainability reporting.

3.3. Environmental

This section elaborates on the result of the environmental dimension of sustainability reporting. The environmental specific standard refers to sustainability issues with regard to living and non-living natural systems. For example: land, air, water, people, animals and ecosystems. The environmental indicators used can be found in appendix 3.

Materials

None of companies disclose specific information about materials used for their products and services as required by the G4 Guidelines. All of the companies reveal information about their fleet but do not go into detail about materials used for the fleet such as materials of the aircraft, materials used for aircraft seats, food etc. As a consequence, they do not comply with G4-EN1 Indicator. With regard to recycling, most of the companies recycle but do not specify the percentage of recycled input materials. The following examples can be found in reports:

- Air France recycled old seats which resulted in the recovery of foams and metals that were used to build 662 business armchairs and 3.935 economy armchairs. These were sold to third parties as well as putting back into use 7.281 components of business armchairs and 38.316 components of economy armchairs.[79]
- Ryanair recycles paper, toner and computer equipment.[80]
- Lufthansa passed four old Boeing aircrafts to their Technik Component services for recycling. In addition, via the project `2nd life` 37 aircrafts have been recycled.[81]

So although companies do recycle, they do not disclose the percentage of recycled materials used and do not comply with the G4-EN2 indicator.

---

[78] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 48
[79] Air France-KLM CSR report 2016, pg. 60
[80] Ryanair annual report 2016, pg. 30
[81] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 56

Energy

While browsing the environmental indicator appendix, one may think that companies do not disclose information about their energy consumption. However, this is not the case. The companies Lufthansa and IAG do disclose their energy consumption (9M tonnes and 8.9M tonnes respectively) but do not disclose the details required by the G4 Guidelines such as: fuel consumption divided by renewable and non-renewable resources, electricity/heating/cooling/steam consumption and sale, standard and conversion factors used etc.[82] EasyJet discloses the cost of fuel per metric tonne but does not mention the total tonnes quantity.

With regard to reduction on energy consumption, in 2015 the Lufthansa group total fuel consumption increased by 1, 4 % instead of reducing while IAG saw an increase of 7.3% in fuel consumption.[83] Air France had a 21% energy efficiency compared to 2011 and KLM had a 14.2 % energy efficiency improvement compared to 2011. Air France also reached the target for 2016 of 2% reduction in electricity consumption. This due to the upgrading of equipment and the inclusion of the target in supplier contracts. On the other hand, KLM reached a 3% energy reduction in 2016. These reductions were made possible by renewable energy solutions offered by Air France and KLM such as:

- Solar panels on hangar roofs
- Heat pumps with aquifers
- New aero structure facility with natural floor covering and labeled washable paints that preserve indoor air quality, thermal solar panels on the roof that provide hot water and ETFE cushions that draw natural light into the building.

Water

None of the companies disclose their water consumption by source, impact of water withdrawals or recycled water. EasyJet and Ryanair do not mention water consumption at all while IAG does disclose the cubic meter of water used at main sites which is 500.868 cubic meters.[84] Air-France-KLM mentions that reducing water consumption requires innovation. Examples of such innovation in water reduction are for example:

- The \`EcoShine\` cleaning method for aircraft exterior that uses 80 times less water than previous systems
- Main Air France catering supplier Servair has several measures to better control water consumption such as monitoring and incorporation of water efficiency plans in workshops, reducing water pollution by using less detergent and using recycling systems for edible oils.
- KLM has contributed with installation of water meters and eliminating water inefficient machines.

Biodiversity

Biodiversity is another aspect of the environmental specific standard that does not enjoy a lot of attention in the reports. Air France –KLM is the only company that discloses on biodiversity. Air France

[82] G4 Sustainability Reporting Guidelines: Implementation manual 2013, pg. 89
[83] IAG annual report 2016, pg. 227 and Balance: key data on sustainability within the Lufthansa Group 2016, pg. 56
[84] IAG annual report 2016, pg.227

has a forest conservation project in Madagascar. This project aims to strengthen conservation activities and implementing sustainable alternatives to deforestation. In addition, the project HOP! Is tasked with protecting one of the most threatened natural habitats of Eastern Europe: grasslands.[85]

Emissions

The G4 Guidelines require companies to disclose their emissions. Ryanair, Lufthansa and IAG do disclose their emissions but not as detailed that is required by the implementation manual. The implementation manual requires that the emission scope be provided with information about the gasses included in the calculation, how the calculation was carried out, standards and methodologies used, source of emission factors and global warming potential etc. This is a substantive amount of information that has to be disclosed and which is not provided by the companies. For that reason it was concluded that companies do not report on the emissions aspect. Out of the companies that disclose their emissions, Lufthansa offers the most complete overview of their emissions. Lufthansa discloses on all the points mentioned by the G4 Guidelines, just not as detailed as required.

Effluents and waste

None of the companies disclosed on water discharge by type and quality, significant spills or water bodies affected by water discharges. However, some of the companies do disclose their waste policy and results, but not as detailed as required by the G4 Guidelines. Companies do not give the total waste volume by type and disposal method and neither do they disclose the total weight of hazardous waste transported, imported, exported or treated as required.[86]

Ryanair discloses that at their Glasgow and London facilities normal waste is removed according to the Environmental Protection act of 1996 and Duty of Care Waste Regulations. Special waste is removed according to the Special Waste regulations 1998. Hazardous waste is removed according to relevant regulations. Lufthansa has a program that turns organic waste into water with the addition of specific biologically degradable additives. As a result, waste turns into water that can be discharged through sewers. Another project of Lufthansa is the `zero to landfill` project that recycles 100% of waste materials.

Air France-KLM were the closest to the disclosure requirements of the G4 Guidelines and its implementation manual. Air France-KLM disclosed the type of waste by percentages and also disclosed some disposal methods for waste. The company also disclosed their policy for certain types of waste. For example, statistics and historical load factors are used in order to regularly evaluate the number of required meals. Materials such as plastic, metal, textiles and paper are recycled or re-used in the production of new materials. Office waste is reduced by providing digital manuals instead of paper manuals and furniture is donated to Valdelia, an eco-friendly organization.

Products and services

All of the companies disclose impact mitigation of environmental products of some of their products and services. With this indicator, the G4 Guidelines does not require detailed information so the companies do disclose according to the G4-EN27 indicator. However, none of the companies disclose reclaimed

---

[85] Air France-KLM CSR report 2016, pg. 75-77

[86] G4 Sustainability Reporting Guidelines: Implementation manual 2013, pg. 125

products and their packaging materials. Some examples of impact mitigation of products and services are:

- EasyJet aircrafts have sharklet wings which reduces fuel consumption with 4% and consequently reduces emissions. In addition, EasyJet's flights desk are now digital which saves a total of 27kg of paper per aircraft and reduces emissions by over 2.000 tonnes.
- Ryanair implements a one-engine taxi procedure that reduces fuel burn and emissions by 1%. Ryanair also had e high seat density of 189 seats in economy class which reduces fuel burn and emission per passenger by 14%.
- Air France-KLM introduced the use of farnesane (10% blend of biofuel) which enables 5% reduction of emissions. In addition, KLM uses polypropylene meal trays which has a less negative effect on the environment.

Remaining aspects of environmental specific standards

The remaining aspects will not be thoroughly discussed since the companies barely disclose on those aspects. Though some aspects deserve some attention. With regard to compliance, all of the companies state that they comply with environmental laws and regulations. Environmental impacts of transporting goods and products is not disclosed by companies and neither are the total investments in environmental protection. Some companies do disclose that they invest or participate in certain programs or projects such as Air France-KLM that is a member of ACARE which aims at advising the European Commission on many aviation topics with respect to biofuel, aircraft design, environmental performance etc. However, these companies do not give a sum total of their investment or participation. Most of the companies screen suppliers on environmental criteria. Air France-KLM has a CSR indicator for all their suppliers which is based on the following documents: UN Global Compact, Sustainability charter provided by supplier, EcoVadis score or equivalent as well as supplier website/CSR statement validated by the CPO and the Air France-KLM Supplier sustainable Development Charter. Finally, companies do not disclose the number of grievances filed through formal grievance mechanisms.

Total indicators

With 4 indicators, Air France-KLM is the winner in this category. However, the results are still very negative. Appendix 3 is nearly blank. However, the negative results can for a great part be attributed to the detailed requirements of the G4 Guidelines instead of unsustainable practices of the companies.

3.4. Social

This section will discuss the social dimension of sustainability reporting. The social specific standard disclosure is divided in four subcategories which are in turn divided in different aspects. This section will only thoroughly discuss those aspects that were given significant disclosure or attention in the relevant reports. Other aspects may be briefly mentioned. For that reason, this section will be divided in four section relating to the respective subcategories instead of discussing every aspect one at a time. The social indicators can be found in appendix 4.

Labor practices and decent work

The subcategory labor practices and decent work is the social category that is most disclosed in the reports. With regard to employment, all of the companies disclose the total number of (new) employees including employee turnover. However, companies do not accompany these numbers with information regarding the age or region of these new employee hires or turnover as required by the implementation manual. Most of the companies mention that their employees receive benefits but do not go into detail. Parental leave as well as notice periods with regard to operational changes were not discussed at all in the reports.

Regarding occupational health and safety, the G4-LA7 and G4-LA8 indicators were not discussed in the reports. However, some companies do disclose on workers representation in committees but not the percentages as required by the G4-LA5 indicator. For example, Ryanair has Local Air Safety Group at each of the 84 bases across Europe. These groups include representation from flight operations, in-flight operations, ground operations and engineering and act independently from the Ryanair management.[87] With respect to injuries at work, Air France-KLM does disclose this information but not by gender or region as required by the G4-LA6 indicator. The numbers were: 38% injuries due to physical constraints, 26% due to barometric otitis and 18% injuries due to floor falls.[88]

Most companies do offer training and education to their employees. However only Air France-KLM and IAG disclosed the average hours of training per employee. Air France and KLM had 29 and 30 training hours respectively. 5% of the ground staff and 100% of the flight crew received training at Air France while KLM had a total of 768.394 hours of training. IAG had 36.7 average training hours per employee.[89] Programs for upgrading employee skills are also disclosed in the reports. For example, EasyJet has training facilities in London Gatwick and London Luton. In addition, EasyJet and its partners have a pilot cadet program for training prospective cadets/pilots. EasyJet also offers workshops for management and employees as well as e-learning courses.[90]

Diversity and equal opportunity is addressed in all of the reports. Some more than others. Ryanair only mentions that diversity is promoted but does not disclose extra information. The other companies do disclose more information on diversity of governance bodies and employees, especially female vs male employees. The numbers for Lufthansa and IAG were already disclosed when discussing the organizational profile in section 3.1. Air France-KLM has a 43.2 % female staff ratio while the Board is 35.7 female. With regard to disabled people, Air France-KLM employed a total of 2.590 disabled people which form 5.59 % of the total workforce.[91]

Human rights

This subcategory stands out because none of the G4 Guidelines indicators are disclosed in the reports. However, it is not so that the companies do not have a human rights policy. The issue is that the G4 requires specific information in the form of quantity of for example investment agreements with human rights clauses, amount of employees trained in human rights policies, amount of incidents of discrimination etc. Companies do not provide these types of information. Nonetheless, the companies do disclose that they have a human rights policy.

Lufthansa discloses that they respect the UN Global Compact principles which includes human rights, child or forced labor etc. In addition, suppliers must comply with the UN Global Compact principles as

---

[87] Ryanair annual report 2016, pg.28
[88] Air France-KLM CSR report 2016, pg.
[89] IAG annual report 2016, pg.227
[90] EasyJet annual report 2016, pg. 38
[91] Air France-KLM CSR report 2016, pg..

well as the four core work standards of the International Labor Organization (freedom of association, right to collective bargaining, elimination of forced and child labor, and non-discrimination).[92] The human rights policy of Air France-KLM can be found in their Social Rights and Ethics Charter. Suppliers also have to sign a Sustainable Development Charter.

Society

With the exception of Ryanair, the companies disclose some of their (local) community projects. However since they do not provide the percentage of operations dedicated to local communities, the companies do not comply with the G4-SO1 indicator. Some examples of local community projects are mentioned below.

- Ryanair does mention the charities they support but not with regard to local engagement.
- Lufthansa had for example the `Haiti entrepreneurship camp 2015` that aims to motivate people to set up their own business. Lufthansa also works together with the Help Alliance to provide humanitarian aid for poor and socially disadvantaged youths in Africa, Asia, central and South America and Eastern Europe. The emphasis in 2015 was refugee aid which provided preparatory classes for young refugees, transporting camp beds for refugees etc. Other programs were education for students in troubled areas in Dusseldorf and language support for migrant children in the Rhine-Main region.
- KLM together with the Close the Gap organization has donated (used) computers to local educational, healthcare and entrepreneurial projects in emerging countries. 1.460 assets were donated by KLM in 2016. KLM is also a partner of `Wings of support foundation ` that invest in projects for children such as the annual `Bush Camp` for orphaned children from Kenya.
- EasyJet also participated in community work in Luton, such as trail mentoring from EasyJet female managers to young women in education as well as funding free physical education session with the Luton Town Football Club.[93]

With regard to anti-corruption and anti-competitive behavior, companies mostly disclose that corruption and anti-competitive behavior policies are included in their human rights policies or code of conducts. Ryanair however did disclose (pending) legal actions with regard to anti-trust and monopoly practices.[94] All of the companies state that they comply with the laws and regulations in the social and economic area.

Product responsibility

Companies do not disclose a lot of information with regard to this category. The companies do state that they have health and safety committees but do not elaborate further on this category. The company which discloses the most about product responsibility would be Lufthansa. Lufthansa discloses how customer centricity and quality focus is one of the strategic cornerstones of the company. This includes designing products and services that are free of discrimination and environment friendly. They mention how flight safety and health protection is of highest priority as well as data protection and data security.

[92] Balance: key data on sustainability within the Lufthansa Group 2016, pg. 28
[93] EasyJet annual report 2016, pg. 41
[94] Ryanair annual report 2016, pg. 56

Total indicators

Lufthansa, IAG and Air France-KLM are tied with regard to total indicators for the social dimension of sustainability reporting. Since they only have 4 indicators from that whole list, the result are not really positive. However, the social dimension and environmental dimension share the same problem that too much detailed information about percentages and numbers are required as well as other requirements such as region, gender etc.

To conclude, the effectiveness of the G4 Guidelines may be in question. The general standards disclosure scores the highest out of the standards analyzed. While sustainability reporting is intended for disclosure of environmental and social information, these two dimensions of sustainability reporting are not represented in the analysis. It should not be assumed that these companies do not care about sustainability on the basis of the analysis. The negative results are mostly due to the fact that companies do not disclose very detailed information. Based on my own experience reading the reports, the company that had the most complete sustainability report is Lufthansa. There was a very good balance between the financial and non-financial information. KLM is a close second. The problem with Air France- KLM CSR report was that it did not contain any financial information. However, the sustainability efforts of Air France-KLM are very commendable. The next chapter will discuss the trends that have been revealed through the analysis of the G4 guidelines and sustainability reporting in the airlines sector.

Chapter 4 Sustainability reporting trends and suggestions

The previous chapters have elaborated on sustainability frameworks and sustainability reports and practices in the airlines sector. This chapter aims to discuss the previous chapters in order to identify trends in sustainability reporting. First, trends or characteristics of sustainability frameworks will be discussed. Next, trends identified on the basis of sustainability reports of the airlines sector will be discussed and analyzed. Furthermore, I will discuss some concerns and offer some suggestions with regard to sustainability reporting. Finally, the future of sustainability reporting is discussed.

4.1. Trends in sustainability reporting frameworks.

This section will identify the trends in sustainability reporting frameworks by discussing the differences and communalities in sustainability frameworks. These differences and communalities will be analyzed on the following issues:

- Scope of application
- Core Subjects of sustainability frameworks
- Legally binding
- Interconnection of the frameworks

Scope of application

The scope of application refers to the organizations that may be subject to the sustainability frameworks. The GRI is applicable to every organization regardless of activity, size or location. This is also the case of the ISO 26000. However, the UN Global Compact is not applicable to micro companies with 10 or less employees.[95] The OECD Guidelines for MNEs are as the name suggest only applicable to MNEs and only those MNEs from or in countries that are party to the OECD Declaration on International Investment and Multinational Enterprises.[96] In addition, MNEs are regarded as enterprises that operate in multiple countries and for which ownership structure is private, state or mixed.[97] Small and medium sized enterprises are encouraged to apply the guidelines to their most extend possible.

Core subjects of sustainability frameworks

The aim of this section is to identify the core subjects of the sustainability frameworks. This refers to the subjects that are deemed important and for which guidelines have been developed. The following core subjects are present in all of the frameworks in some form: human rights, labor practices, environment, sustainable development (e.g. technology and community) and fair operating practices (e.g. corruption, extortion and bribery). Consumer interests such as customer service, safe and healthy products and privacy are mentioned in the GRI, ISO 26000 and OECD Guidelines but not in the UN Global Compact. Taxation is only mentioned in the OECD guidelines. The GRI contains many additional core subjects such as governance, strategy analysis, materiality etc.

---

[95] UN Global Compact: frequently asked questions
[96] OECD Guidelines for MNE`s 2011, pg.3
[97] Idem pg. 17

Legally binding

All of the frameworks provide voluntary guidelines or principles. As a consequence, the guidelines in these frameworks are not legally binding. In addition, the ISO 26000 provides guidance instead of requirements, so companies cannot get a certification for complying with the ISO 26000. Furthermore, while the OECD Guidelines for MNEs are voluntary, once a company adheres to them they do make a binding commitment to adhere to the accompanying Decision of the OECD Council on the OECD Guidelines for MNEs.

Interconnection of the frameworks

As observed in chapter 2, all of the frameworks connect with each other in some form. The UN Global Compact, the OECD Guidelines for MNEs and ISO 26000 all have a partnership with the GRI. The ISO 26000 and the OECD Guidelines for MNEs complement the G4 Guidelines while the principles of the UN Global Compact are incorporated in the G4 Guidelines. The link between the OECD Guidelines and UN Global Compact with the G4 Guidelines can be found in the G4 Guidelines itself as well as in separate linkage documents online.[98] With regard to ISO 26000, the linkage document with the GRI can also be found online at the GRI website.[99]

Trends

The first trend in sustainability reporting frameworks is that the frameworks tend to be applicable to all companies regardless of activity, size and location. As seen above there are some variations with regard to size and location but not enough to state that size and location matter significantly for sustainability frameworks. However, studies have shown that size does matter for sustainability reporting. A study by Gallo and Christensen has found significant differences in sustainability reporting practices of small and large firms. This is due to the complexity in analyzing and preparing the company`s economic, social and environmental impacts. In addition, the cost of resources and capabilities for preparing sustainability reports may also be an issue for small companies.[100] Furthermore, public companies are more likely to practice sustainability reporting then private firms due to the fact that public firms are subject to more regulatory and public oversight.[101] This seems to affirm that regulation and public pressure are motivations for sustainability reporting as stated in section 2.2.

Another trend in sustainability reporting frameworks is that most of the core subject are similar in the frameworks. There are some deviations such as taxation in the OECD Guidelines for MNEs and that the GRI has many additional core subject then the other frameworks. Furthermore, the similarity in the core subjects suggest another trend. Namely, that these core subjects (human rights, labor practices, environment, fair operating practices and sustainable development) may be universal with regard to sustainability frameworks.

The next trend or observation refers to another similarity of the sustainability frameworks which is that none of the frameworks are legally binding or mandatory. With regard to this issue, there are both

---

[98] GRI resource library
[99] Idem
[100] Gallo and Christensen 2011, pg. 337
[101] EY 2016

opponents and proponents to mandatory sustainability frameworks. The case for mandatory or voluntary sustainability reporting frameworks will be discussed in section 4.3.

This last trend has already been mentioned in previous chapters. Namely, that the GRI Guidelines is the most commonly used framework by companies. All of the other frameworks seem to circle towards the GRI framework through partnerships and collaboration. Companies also favor the GRI above the other frameworks. The reason for this is that the GRI Guidelines is the only framework that provides extensive indicators for sustainability reporting.

This concludes the trends with regard to sustainability frameworks. The following section will discuss the trends that were revealed in chapter 3.

4.2. Trends in sustainability reporting

This sections aims to discuss the trends in sustainability reporting. A study of sustainability reporting practices of the five largest airlines companies was performed in order to discover these trends.

1. *External assurance*

The first trend identified is that external assurance of sustainability reports or external assurance of sustainability sections in annual reports is not customary. KLM refers to another document for external assurance while Lufthansa only has external assurance for the emissions scope. The other companies have external assurance and internal audit audits for their financial information and for non-financial information. There are various reasons for not engaging in external assurance of sustainability reports. Small companies have argued that external assurance is too expensive while companies that are confident in their sustainability reports argue that external assurance does not add any value for the company.[102] Others are of mind that MNEs have a more pressing need for external assurance due to (public) pressure. In addition, companies whose sustainability reporting practices are considered as premature have argued that they are not yet ready for external assurance because they first have to work on improving their sustainability reports.[103]

With regard to those companies that do engage in external assurance of sustainability reports, enhanced credibility is seen as the main motive for external assurance.[104] There are two types of companies that can be distinguished that use external assurance as a method to enhance credibility.[105] On the one hand, there is the company whose sustainability performance is positive and thus uses external assurance as a way to enhance credibility, and as a consequence improves or upholds the positive reputation of the company. On the other hand, there is the company whose reputation is negative and uses sustainability reporting and external assurance as a method for improving their reputation. This suggests that public pressure and publicity are not only a driving factor with respect to sustainability reports but also to external assurance of sustainability reports. Another reason why companies engage in external assurance is for improving internal management systems. External assurance may lead to an improvement of information systems as well as embedding sustainability practices in a company. In addition, external assurance may improve the accuracy of data and help

[102] Park and Brorson 2005, pg. 1100.
[103] Idem
[104] Idem pg. 1099
[105] Braam et.al 2016, pg. 725- 726

identify key risk, impacts and opportunities for companies.[106] In conclusion, external assurance of sustainability reports is crucial for those companies that want to enhance their credibility but not so much for those companies were external assurance does not add any value. This may be the reason why external assurance is not common with regard to sustainability reports.

2. *Negative sustainability performance not disclosed in sustainability reports/annual reports*

When analyzing the reports it was noticed that companies disclose primarily positive sustainability information or practices. Lufthansa was the only company that mentioned a negative occurrence, which was the Germanwings flight 9525 accident in 2015 caused by a suicidal pilot. Otherwise the information contained in the reports is mostly positive. The companies do not disclose negative information with regard to issues such as occupational health and safety (injuries, high risk etc.), discrimination incidents, (human rights) issues with suppliers, operations that have negative impacts on communities etc. The examples are numerous. It may the case that there is no negative information to be disclosed, however it is unlikely that no injuries have taken place during reporting years or for example that no grievances have been filed etc. None of the companies disclose grievances filed against them or internal incidents reports.

This trend that companies do not disclose negative information has also been discussed in the literature. According to Reimsbach and Hahn, if companies disclose the negative incidents themselves, the effect is minimal on stock price and public reputation.[107] This is because disclosing negative incidents may be seen as actively recognizing and managing risks that have to be avoided in the future. As a consequence, the disclosing of negative information is seen as the willingness to deal with the issues instead of ignoring or hiding the issues. It creates trust in the company and suggest a proactive and honest disclosure, whereas, primarily positive sustainability reports may create the assumption that the reports are whitewashed and not a reliable source of information.[108] Furthermore, the study showed that if negative incidents are disclosed by others (such as NGO`s), there is a significant effect on long term stock price and investments. My advice would be that companies disclose on both positive and negative information. My experience while reading the reports has indeed been that firms hide the negative sustainability aspects, which leads me to believe that the reports are not reliable. A balance between the positive and negative disclosure would have given impression that firms are honest and deal with the issues.

3. *Annual reports focus more on financial information*

Another trend is that annual reports focus more on financial information. Annual reports may contain a section or chapter on sustainability where they disclose some sustainability information, however, not in as much detail as in a sustainability reports. This can be expected as it is not possible to disclose the extensive information required by the GRI in a small section or chapter in an annual reports. In addition, for a long time it has been believed that annual reports should contain only information that can be translated in monetary value. Including sustainability in annual reports increases the complexity of

[106] Gurturk and Hahn 2016, pg. 31-32 & Park and Brorson 2005, pg. 1100 and 1099.
[107] Reimsbach and Hahn 2015, pg. 229
[108] Hahn and Lulfs 2014, pg. 403

annual reports which are already complex in itself.[109] However, companies still include sustainability disclosure in their annual reports, although not as extensive as required.

4. *Sustainability reports focus on environmental and social dimensions*

While annual reports tend to focus on financial information, sustainability reports concentrate more on the environmental and social aspects of companies. This is obvious with regard to the general standards disclosures where both the Lufthansa and Air France-KLM sustainability reports score the lowest. Issues such remuneration policies, compensation etc. which fall under the governance structure aspect are not disclosed in neither of the sustainability reports. Furthermore, the economic dimension is also lacking in sustainability reports. In addition, while analyzing the reports it was noticed that sustainability was a focal point in sustainability reports instead of financial information. Once again, this is to be expected since sustainability is the subject of such reports. However, sustainability reports should also contain other information in addition to non-financial information. It is necessary to have some context in order to understand sustainability practices or disclosures of a company. Other information such as (relevant) financial information, governance and organizational structure must be provided in order to have a comprehensive view of the company. In section 4.3, I offer a suggestion for this issue.

5. *Sustainability and annual reports do not contain detailed disclosures*

The last trend that was discovered was that sustainability reports do not contain the detailed disclosures required by the GRI. The analysis of the reports revealed that while most of the companies disclose their sustainability practices, the companies do not go into detail. Quantitative information for especially the environmental and social dimension is lacking as well as typology with regard to issues such as injuries, workers, regions, suppliers, materials etc. For example, companies do mention that they screen suppliers but do not name the (type of) new suppliers of do not describe their energy consumption divided by categories.

There are two possible explanations for this trend. As already mentioned in chapter 3, the companies and their respective sustainability reports are not at fault but rather the G4 Guidelines are inadequate. This issue will be discussed in section 4.3 when discussing the effectiveness of the G4 Guidelines. The other explanation is that companies exercise discretionary sustainability disclosures in order to minimize potential negative results relating to legitimacy and reputation.[110] Meaning that omitting information from sustainability/annual reports could be in fear of negative (public) attention.

In conclusion, the content and level of detail in reports is a crucial issue with regard to sustainability reporting. This raises some concerns. These concerns and their possible solution will be elaborated on in the next section.

4.3. The future of sustainability reporting

This section aims to discuss the future of sustainability reporting. However, before the future can be discussed, the current shortcomings and possible solutions must be addressed. The next section will

[109] Fasan 2013, pg. 43-44
[110] Braam et.al 2016, pg. 731

focus on the concern and suggestions of sustainability reporting while the following section will discuss how to move forward with sustainability reporting.

4.3.1 Concerns and suggestions

This section will discuss some concerns identified when analyzing the reports and discussing the trends in sustainability reporting. The following concerns have been determined:

a) The effectiveness of the GRI Guidelines
b) Mandatory or voluntary sustainability reporting
c) The combination of financial and non-financial information in reports (integrated reports)

The concerns will be discussed individually while also offering some solutions to these concerns.

a) The effectiveness of the GRI Guidelines

The analysis has revealed that while the GRI Guidelines are the common sustainability reporting framework used by companies, most of the (detailed) information required by the GRI Guidelines is not provided. In addition, sustainability reports are primarily positive since companies do not disclose negative information. This raises the question whether the GRI Guidelines are effective in working towards a sustainable development. The disclosures required by the GRI Guidelines, do they really improve sustainability (of companies)?

The answer to this question is difficult. On the one hand, the GRI Guidelines do improve sustainability by creating sustainability awareness in companies and providing a starting point for sustainability reporting.[111] On the other hand, the GRI Guidelines do not improve sustainability. There are a number of reasons for this assumption.

First issue is that sustainability reports and sustainability performance are two different things. Companies disclose only the information that they want to disclose. As a consequence, this raises the critical issue that one cannot infer form sustainability reports the very thing that the information contained in the reports is supposed to represent. Sustainability reports do not offer the actual contribution to or detraction from sustainability that a company has made.[112]

The second issue is that the GRI Guidelines approach sustainability through the triple bottom line (TBL) approach. It is widely accepted that disclosing the TBL means that someone is sustainable. This however, should not be the case. As mentioned in section 2.2, sustainability is a complex issue that cannot be reduced to the three dimension of economic, environmental and social. Further analysis is needed with regard to the companies interaction with ecological systems, resources etc.[113] In addition, the GRI Guidelines do not offer an integrated view of the TBL approach. The three dimension are provided separately but there is no explanation on how to integrate these three dimensions. A comprehensive view of sustainability practices cannot be achieved if the interactions between the three dimensions is not disclosed.[114]

[111] Barkemeyer et.al 2015, pg. 322
[112] Gray and Milne 2013, pg. 17
[113] Gray and Milne 2002, pg.3
[114] Moneva et.al 2006, pg. 133 and Gray and Milne 2013, pg. 21

Finally, while analyzing the reports, it was observed that it is difficult to actually understand some information disclosed. For example, most of the companies analyzed in chapter three disclose their emissions scope and numbers. However, if there is no reference point for what is standard/ good or bad emissions performance, it is not possible to interpret the information disclosed. As a consequence, information disclosed is useless without context.

In conclusion, the answer is no. The GRI Guidelines are not effective for advancing sustainable development. There are a few possible solutions for this concern. First, the GRI indicators have to be re-evaluated in order to assess whether disclosures required by the GRI Guidelines are necessary for advancing sustainability and context has to be provided in order for stakeholders to understand what is acceptable and what not (good or bad performance). Second, the TBL approach may not be the best approach for sustainability reporting. In the academic literature, alternatives such as ecological accounting tools and ecological footprint as way of measuring sustainability are offered.[115] However, these alternatives are still in the early stages and much research has to be done in order to achieve a positive development. As a consequence, my next suggestion is for the TBL to be adapted in order to offer a more comprehensive view of the three dimensions. Include a new chapter or section in the GRI that tries to explain how the three dimensions of economic, environmental and social relate to each other. Finally, in order to end the selective disclosure practices of companies, mandatory disclosure regulations may provide a solution. No more hiding negative information as well as reporting the actual sustainability performance of companies. The next section will discuss whether mandatory sustainability reporting is feasible.

b) Mandatory or voluntary sustainability reporting

As previously stated, sustainability reporting is a voluntary initiative from companies. However, there are some countries that do have mandatory non-financial information requirements. For example: France, China, Denmark, Malaysia, South Africa, UK, Canada, Japan etc. In addition, the Directive on disclosure of non-financial and diversity information by certain large undertakings and groups was adopted in December 2014 in the EU.[116] This Directive introduces requirements for companies with more than 500 employees. These requirements are:

- Companies are required to disclose on subjects such as the environment, social issues, employee –related issues, human rights and corruption and bribery issues.
- Companies have to disclose their business model as well as the outcomes and risks of the policies on the subjects mentioned above and the diversity of management and supervisory bodies.

In addition, companies are encouraged to rely on available sustainability frameworks such as those discussed in chapter 2(GRI, UN Global Compact, ISO 26000 etc.).Thus, mandatory sustainability reporting is possible. However, there are both those that are against as in favor of mandatory sustainability reporting.

Those against mandatory sustainability reporting argue that mandatory reporting would fail to recognize and take into account the differences between different industries. In addition, mandatory reporting

[115] Gray and Milne 2013, pg. 21-24
[116] Directive 2014/95/EU

would lead to inflexibility with regard to change and complexity as well as reduce incentives for innovation. Furthermore, it is argued that the knowledge gap between regulators and industries is too wide for mandatory sustainability reporting.[117]

Reasons for mandatory sustainability reporting include:[118]

- Voluntary sustainability reports are incomplete
- Negative information is not disclosed
- Voluntary sustainability reports lack comparability
- Legal certainty
- Under-enforcement of voluntary sustainability reports

After examining both the reasons for and against mandatory reporting, it was concluded that both point of views have some good arguments. However, the argument against mandatory reporting which states that mandatory reporting reduces innovation is not correct. The analysis and results in chapter 3 have shown that companies due invest in innovation with regard to new sustainable technologies.

Ultimately, sustainability reporting should be mandatory instead of voluntary. Nonetheless, regulators should take into account the concerns raised by the opponents of mandatory sustainability reporting. Therefore, mandatory sustainability reporting should not be inflexible to change. In this regard, a combination of mandatory rules and voluntary rules may provide a solution. This can also be a solution to the problem of `one size fits all` of mandatory requirements. Sectors/industries would need to comply with the (minimum) mandatory rules and the voluntary rules suitable to their sector. The knowledge gap between regulators and industries may be decreased by including and consulting different stakeholders when formulating mandatory requirements. One issue that would have to be addresses by stakeholder is definitely that sustainability reporting is expensive for small companies. Alternatives would have to be discussed for small companies or by formulating a certain threshold for the applicability of mandatory sustainability reporting. Finally, an international mandatory sustainability framework (such as the case with the GRI) is preferable than national mandatory sustainability reporting. National mandatory requirements would only create more uncertainty and prevent harmonization of mandatory requirements for sustainability reporting.

c) The combination of financial and non-financial information in reports (integrated reports)

Annual reports focus more on financial information while sustainability reports focus more on environmental and social information. As a result, it is difficult to have a comprehensive view of sustainability practices of companies. A possible solution for this issue is what is called an integrated report. According to the International Integrated Reporting Committee (IIRC), an integrated report is

" a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term."[119]

[117] Fassan 2013, pg. 46
[118] KPMG et.al 2010
[119] IIRC Framework 2013

The IIRC was formed in 2010 and is seen as the dominant authority with respect to integrated reporting. In 2013 the IIRC published an integrated reporting framework with the aim of:[120]

- Improving the quality of information available to providers of financial capital so that they can enable a more efficient and productive allocation of capital
- Promoting a more cohesive and efficient approach to corporate reporting
- Enhancing accountability and stewardship for capitals such as financial, intellectual, manufactured, human, social and relation as well as natural capital while promoting understanding of their interdependency
- Supporting an integrated way of thinking and decision making with regard to actions that focus on value creation (short, medium and long term).

In order to achieve these aims, the integrated reporting framework contains some principles such as:[121]

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationship
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

These principles are to serve as guidance when determining the content elements of integrated reporting. The integrated reporting framework includes 8 content elements that are linked with each other and that are not mutually exclusive. These are: organizational overview and external environment, governance, business model, risk and opportunities, strategy and resource allocation, performance, outlook and basis of presentation.[122]

After analyzing this integrated reporting framework, it is evident that there are some major differences between integrated reporting and sustainability reporting. Integrated reporting is about value creation of the company itself, it is about the sustainable development of the company. Sustainability reporting is about the sustainable development of the company as well as global sustainable development. This is one major difference between these reporting forms. In addition, while sustainability reporting is intended for all stakeholders, integrated reporting is intended for the providers of capital, meaning investors.[123] Furthermore, integrated reporting does promote the interconnectivity and interdependency of capitals (financial, human etc.) while sustainability reporting of the GRI lacks cohesiveness. The IR framework also does not work with indicators, measurement methods or disclosures of individual matters as is the case with sustainability reporting.[124] However, quantitative may be presented but it is not required as is the case with sustainability reporting. Additionally, the IR framework contains capitals that companies can use for their integrated report. Contrary to

[120] IIRC Framework 2013, pg. 2
[121] IIRC Framework 2013, pg. 5
[122] Idem
[123] Cheng et al. 2014, pg. 97 and Fassan 2013, pg. 54 & 48
[124] IIRC Framework 2013, pg. 7

sustainability reporting, the companies can choose which capitals are applicable to them and comment on those capitals only.[125]

With reference to the differences stated above, it seems that integrated reporting may be the solution for some the trends in sustainability reporting. Integrated reporting promotes the interconnectivity between different aspects, it allows for the right balance between financial and non-financial information, it does not require very detailed disclosures and it does not use triple bottom line as a basis for reporting. In addition, integrated reporting allows for more flexibility in reporting. However, there issues of external assurance and that negative information is not disclosed in sustainability reports are not addressed by integrated reporting. Furthermore, integrated reporting is voluntary and not mandatory.

It should be noted that in the academic literature some perceive annual reports containing sustainability sections as integrated reports. This, however, is not correct. Annual reports disclose primarily past information while integrated reports are intended for short, medium and long value creation. [126]While annual reports may contain some strategic and future orientation strategy and vision, the majority of the information relates to past performance (financial and non-financial). Another difference is the flexibility of integrated reporting that cannot be found in annual reports. The content of annual reports is for a great part determined by regulation. Not much flexibility afforded in regulation of annual reports. Finally, the interconnectivity available in an integrated report is not available in annual reports.

Integrated reporting may be a solution for some of the concerns identified with regard to sustainability reporting. However, integrated reporting has its own issues. Integrated reporting is more about the sustainable development of a company instead of global sustainability. In addition, the voluntary nature of integrated reporting is not favorable. As previously stated, mandatory reporting is preferred over voluntary reporting. The remaining question is then: what is the future of sustainability reporting?

4.3.2 The next steps

At this moment both sustainability reporting as integrated reporting are exercised more by companies. There is a forward momentum for these reports and the hope is that it keeps going forward. The question about the future of sustainability reporting is not easy to answer. The biggest issue is that nobody knows how sustainability is supposed to look like.[127] There are so many dimensions to sustainability that it is impossible to completely report on sustainability. However, sustainability reporting and integrating reporting as they are now can be viewed as starting points. The concerns of sustainability reporting have to be addressed in order to develop a reporting framework that can truly advance sustainable development. The upcoming GRI Standards are not the solution. Since the GRI Standards and G4 Guidelines are nearly identical on the majority of issues, the GRI Standards are not recommended as a solution for advancing sustainability reporting. The core issues are still present in those Standards.

---

[125] Idem pg. 12

[126] Fassan 2013, pg. 52

[127] Gray and Milne 2002, pg. 3 and Steyn 2014, pg. 144

As previously mentioned, integrated reporting may provide a solution for sustainability reporting. However, some issues need to be addressed in order for integrated reporting to be suitable replacement for sustainability reporting.

The first issue is the voluntary nature of integrated reporting. In the future, integrated reporting should be mandatory and not voluntary. According to Eccles, an integrated report is a key element for those companies that perceive sustainability as a serious matter. An integrated report must be seen as an opportunity to communicate on and implement a sustainable strategy, meaning a strategy that creates value for shareholders over the long term while contributing to a sustainable society.[128] In addition, the simplification of an integrated report`s single message to all stakeholders is crucial for improving corporate disclosure and transparency.[129] Voluntary integrated reporting can be seen as a starting point for legislators. Through the rapid dissemination of voluntary integrated reporting more knowledge can be gained in order to develop a suitable mandatory sustainability reporting regime. Furthermore, for the full potential of integrated reporting to be achieved, integrated reporting must be exercised globally in all (public/private) sectors.[130] However, a global mandatory integrated reporting regime will take some time. Currently, integrated reporting is mandatory in South Africa and the prediction is that other countries will follow in future. Mandatory integrated reporting legislation will first be introduced at national level before international regulation can be adopted. Eccles believes this may take around 10 years or more and that global mandatory integrated reporting will only be possible if all stakeholders work together.[131] Furthermore, a study of the mandatory integrated reporting regime of South Africa has shown that differences in the organizational behavior and business practices of companies through explicit consideration by managers of interdependencies between financial, social and environmental issues and incorporating these in the companies` strategy.[132] In addition, the result of the study shows clear advancements with regard to decision making that takes into account the availability of resources and longer term sustainable value of companies. All of this leads to the conclusion that mandatory integrated reporting should be the future of sustainability reporting.

For the successful dissemination of mandatory integrated reporting, non-financial reporting standards have to be developed. Financial reporting standard such as the U.S. GAAP or IFRS have already been developed for financial information. However, a lack of standards for non-financial information is one the biggest barriers of sustainability and/or integrated reporting.[133] As previously stated, the GRI indicators are not suitable for integrated reporting. There are however some challenges for standard setting with regard to non-financial information.[134] The first issue is that non-financial standards have to be developed fast and not take for example 10 years. If integrated reporting is supposed to help with sustainability, then standards have to be developed fast and not slow. Next is the issue of legitimacy. In order for standards to be legitimate, the relevant stakeholders have to be implicated in the standard setting process. The final issue is whether there should be generic or sector-specific standards. For the sake of comparability, universal standards applicable in all circumstances and sectors may be favorable.

---

[128] Kiron 2012, pg. 2
[129] Eccles and Krzus 2010, pg. 147
[130] Idem pg. 219
[131] Idem pg. 222
[132] Steyn 2014, pg. 170
[133] Eccles and Krzus 2010, pg. 216
[134] Kiron 2012, pg. 4

However, a generic standard would fail to take into account the differences between sectors.[135] For example, emissions standards would be important for an airline company but not for a bank. Sector-specific standards setting for non-financial information would be more appropriate.

According to the IIRC, the primary audience of integrated reports are the providers of financial capital (investors). In the future, integrated reports should be targeted at all relevant stakeholders and not only investors. The concern is that focusing on investors would be detrimental to information demands and needs of other stakeholders.[136] Stakeholder inclusiveness is crucial for integrated reporting in the future.

Next issue is the assurance of integrated reports. Same as with sustainability reporting, assurance is not usual with regard to integrated reporting.[137] Assurance of financial is usual whereas assurance of non-financial information is not. This is mostly due to the nature of non-financial information and the lack of standards. In addition, the IIRC encourages disclosing information in narrative form which is more challenging to assure.[138] Assurance should become standard practice with regard to integrated reporting in the future. As discussed in section 4.2, assurance adds credibility to integrated reports and may also improve sustainability practices throughout companies. However, standards need to be developed in order for auditors to have a grasp of what a true and fair integrated report should look like.[139]

Finally, the flexibility of a mandatory integrated regime is also an issue. As mentioned in the previous section, the opposition to a mandatory regime are concerned that mandatory sustainability reporting would be too rigid and prevent innovation. This should not be the case with integrated reporting. Integrated reporting consist of a principled based approach that must be complied with. The aim of a principles based approach is to balance flexibility and prescriptions.[140] This allows for recognition of variations in individual circumstances of different companies and industries. For example, the IIRC clearly states that not all capitals are relevant or applicable in all sectors or organizations.[141] As a result, this allows for a high industry customization on the one hand and on the other hand this leads to low comparability between integrated reports.[142] Still, the principles based approach is favored over the fixed elements approach used by the GRI. As has been proven, the fixed element approach is not suitable for sustainability reporting. The principles based approach makes integrated reporting less rigid and as such allows for mandatory integrated reporting that is flexible and room for innovation.

In conclusion, the way forward is through mandatory integrated reporting. Before that happens, standards for non-financial information have to be developed in order to facilitate disclosures of non-financial information and as a consequence the dissemination of integrated reporting. Mandatory integrated reporting will start at national level but the hope is that in the future integrated reported will be mandated internationally as well. Mandatory integrated reporting should include all stakeholders and not just investors. Furthermore, assurance of integrated reports is necessary in order to assess the

[135] Kiron 2010, pg. 5
[136] Cheng et al. 2014, pg. 97
[137] Fassan 2013, pg. 49
[138] Idem.
[139] Cheng et. al. 2014, pg.99
[140] Fassan 2013, pg. 54
[141] IIRC Framework 2013, pg. 13
[142] Fassan 2013, pg. 49

credibility of integrated reports. Finally, the principles based approach is more favorable to mandatory integrated reporting.

Chapter 5 Conclusion

The aim of this thesis was to describe the evolution of sustainability reporting. This thesis addressed this aim by analyzing sustainability reporting (in the airlines sector) and sustainability frameworks. The analysis provided some trends with regard to sustainability reporting and frameworks.

Sustainability frameworks tend to be connected to each other by the presence of partnerships between different organizations and similarities in core subjects. Sadly, none of these frameworks are binding. This is one of the major concerns of sustainability reporting. Enforcement is not possible for these guidelines that are not binding. Assurance of sustainability reports could enhance the credibility of sustainability reports, but assurance is not usual with regard to sustainability reports. Another major concern is that most sustainability reports are presented in a positive light and negative information tends to be omitted. In addition, most companies do not disclose very detailed information about their sustainability practices. These concerns led to question whether the GRI was effective for sustainable development. The answer is that while GRI (and other frameworks) do assist in providing guidance with regard to sustainability reporting, the GRI is not effective for sustainable development. The non-binding nature of the GRI, the lack of cohesiveness between sustainability dimensions as well as the gap between sustainability reporting and sustainability performance led to the conclusion that the GRI is not suitable for sustainability reporting. This is the case for both the G4 Guidelines as the upcoming GRI Standards. The GRI Standards may improve and simplify the G4 Guidelines but the problems still persists.

The way forward for sustainability is through mandatory integrated reporting. Integrated reporting emphasizes the interconnectivity between sustainability dimensions and improves sustainability practices of companies. A voluntary integrated reporting regime would not be beneficial for sustainable development. Companies would still be at liberty to choose what to disclose and what not. Furthermore, enforcement would also be a concern for voluntary integrated regime. However, a mandatory integrated reporting regime would prove more beneficial for sustainability (reporting) due to improved strategic decision making that recognizes the dependency on resources and relationships in sustaining (short/medium and long) stakeholder value. In addition, the interconnectivity of integrating reporting allows for better consideration of the relationships between financial, social and environmental matters.

Nonetheless, the current voluntary integrated reporting regime can still be useful. By researching and studying the current integrated reporting regime, strength, weaknesses and opportunities can be identified. This research will become the starting point for a mandatory integrated reporting regime in the future. Simultaneously, non-financial standards have to be developed in order to advance integrated reporting. One of the major issues of sustainability and integrated reporting is the lack of standards. Without standards it is more difficult to understand what is fair and acceptable. Non-financial standards have to be developed fast since this is a crucial issue for integrated/sustainability reporting. The standard setting process must include different stakeholders in order for such standards to be legitimate. Furthermore, sector specific standard are preferred over a generic standard. Different companies in different industries leads to variations in what is relevant for those industries. A \`one size fits all\` rule would not consider the nuances of different industries.

As stated by various organizations, sustainability can only be achieved through collaboration between all stakeholders. As a result, integrated reporting should be for all stakeholders and not primarily for providers of capital as is the case of the IIRC framework. By concentrating on one group of stakeholders, the demands and input from other stakeholders are not included. Other stakeholders may have insights that can be beneficial for the advancement of integrated reporting. Furthermore, integrated reports should also be subject to assurance in the future since it enhances the credibility of companies but also serves a review function for integrated reports. Assurance signifies the truthfulness of disclosures.

Finally, no more `box ticking` for sustainability reporting. The GRI is very rigid and leaves no room for flexibility. However, integrated reports leave room for flexibility by using a principles based approach. This allows for companies and industries to disclose on only issues that are relevant for their company and industry. Unnecessary information should not be disclosed. This enhances the overall look of integrated reports and allows for flexibility.

Mandatory integrated reporting is the way forward. However, bear in mind that integrated reporting is still about value creation and the sustainable development of the company itself. Integrated reporting is one part of all the parts that have to fit together in order to truly achieve sustainability. As mentioned by Gray and Milne:

"Sustainability implies and requires a level of collective decision making for the common good."[143]

The truth is that we are not there yet. There is still much to be researched and discussed with regard to sustainability. At this moment, nobody knows what true sustainability should look like or how we should get to that point. However, by improving sustainable practices of companies through integrated reporting, sustainable development may be advanced one business at the time.

[143] Gray and Milne 2002, pg. 3

Bibliography

Barkemeyer et.al 2015
R. Barkemeyer et.al,` On the Effectiveness of Private Transnational Governance Regimes- Evaluating Corporate Sustainability Reporting according to the Global reporting Initiative`, 2015, *Journal of Business World*, Vol. 50, number 2, pg. 312-325

Braam et.al 2016
Braam et.al,`Determinants of corporate environmental reporting: the importance of environmental performance and assurance`, *Journal of Cleaner Production*, 2016, Vol. 129, pg. 724-734

Cheng et al. 2014
Cheng et.al,` The International Integrated reporting Framework: Key Issues and Future Research Opportunities`, *Journal of International Financial Management & Accounting*, 2014, Vol. 25, number 1

Cormier and Gordon 2001
D. Cormier and I.M. Gordon, `An examination of social and environmental reporting Strategies`, *Accounting, Auditing & Accountability Journal*, 2001, Vol.14, number 5, pg. 587–616

Cormier and Magnan 2003
D.Cormier and M. Magnan,`Environmental reporting management: A continental European perspective`, *Journal of Accounting and Public Policy*, 2003, Vol. 22, pg 43–62.

Deegan and Brown 2002
C. Deegan and N. Brown,` The public disclosure of environmental performance information- a dual test of media agenda setting theory and legitimacy theory`, *Accounting and Business research*, 2002, Vol. 29, number 1, winter issue

Deegan et.al. 2002
Deegan et.al.,` An examination of the corporate social and environmental disclosures of BHP from 1983–1997; A test of legitimacy theory`, *Accounting Auditing & Accountability Journal*,2002, Vol. 15, number 3, pg. 312–343

Directive 2014/95/EU
Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, *Official Journal of the European Union*, 2014, L330/1

Eccles and Krzus 2010
R. Eccles and M.P. Krzus,`One Report: Integrated reporting for a Sustainable Strategy`, 2010, Hoboken New jersey, Wiley & Sons

Eccles and Serafeim 2014
R. Eccles and G. Serafeim, ` Corporate and Integrated reporting: A functional Perspective`, chapter in *Stewardship of the Future*, E. Lawler et.al (eds), 2015, Greenleaf

Elkington 1998
J. Elkington, ` The Non-Reporting Report: Engaging Stakeholders`, Sustainability/UNEP, 1998
Retrieved from: http://10458-presscdn-0-33.pagely.netdna-cdn.com/wp-content/uploads/2016/09/sustainability_non_reporting.pdf
Accessed May 23, 2017

EY 2016
EY,` Value of sustainability reporting: A study by EY and Boston College Center for Corporate Citizenship`, 2016.
Retrieved from: http://www.ey.com/Publication/vwLUAssets/EY_-_Value_of_sustainability_reporting/$FILE/EY-Value-of-Sustainability-Reporting.pdf
Accessed August 5, 2017

Fasan 2013
M.Fasan,`Annual Reports, Sustainability Reports and integrated Reports: Trends in Corporate Disclosure`, chapter in *Integrated Reporting ; Concepts and cases that redefine Corporate Accountability*, C. Busco et.al (eds*),* 2013, pg. 41-57, Springer International Publishing

Fortanier et.al. 2011
Fontanier et.al.,` Harmonization in CSR reporting: MNEs and Global CSR Standards`, *Management International Review*, 2011, Vol. 51, pg. 665-969

G4 Sustainability Reporting Guidelines: Implementation manual 2013
Global Reporting Initiative,` G4 Sustainability Reporting Guidelines: Implementation manual`, 2013
Retrieved from: https://www.globalreporting.org/resourcelibrary/GRIG4-Part2-Implementation-Manual.pdf
Accessed on July 10, 2017

Gallo and Christensen 2011
P.J. Gallo & L.J. Christensen,` Firm Size Matters: An Empirical Investigation of Organizational size and Ownership on Sustainability-Related Behaviors`, *Business and Society*, 2011, Vol 50, number 2, pg. 315-349

Global Reporting Initiative (GRI), Sustainability Disclosure Database, SDG Target 12.6
Global Reporting Initiative, Sustainability Disclosure Database, SDG Target 12.6, N.d
Retrieved from: http://database.globalreporting.org/SDG-12-6/un-sustainable-development-goals.
Accessed May 18, 2017.

Gray and Milne 2002
R. Gray and M.J. Milne,` Sustainability reporting: Who`s kidding whom?`, *Centre for Social and Environmental Accounting Research: Accountability, Transparency, Sustainability*, 2002

Gray and Milne 2013
R.Gray and M.J.Milne, `W(h)ither Ecology? The Triple Bottom Line, the Global Reporting Initiative, and Corporate sustainability Reporting`, *Journal Business Ethics*, 2013, Vol. 118, pg. 13-29

GRI, about sustainability reporting
Global Reporting Initiative, about sustainability reporting
Retrieved from: https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx.
Accessed May 23, 2017.

GRI: alliances and synergies: OECD and GRI Partnership
GRI: alliances and synergies: OECD and GRI Partnership
Retrieved from: https://www.globalreporting.org/information/about-gri/alliances-and-synergies/Pages/OECD-and-GRI-partnership.aspx.
Accessed May 29, 2017.

GRI resource library
Global Reporting Initiative: Resource library
Retrieved from: https://www.globalreporting.org/Pages/resource-library.aspx?resSearchMode=resSearchModeText&resCatText=Linkage+Documents&resLangText=English
Accessed August 2, 2017

GRI: Questions about transitioning from G4 to GRI Standards
Global reporting Initiative: Questions about transitioning from G4 to GRI Standards
Retrieved from: https://www.globalreporting.org/standards/questions-and-feedback/transitioning-from-g4-to-gri-standards/.
Accessed May 29, 2017.

GRI 2009
Global Reporting Initiative,` A Snapshot of Sustainability Reporting In the Airports Sector`, 2009
Retrieved from: https://www.globalreporting.org/resourcelibrary/A-Snapshot-of-sustainability-reporting-in-the-Airports-Sector.pdf
Accessed July 10,2017

GRI 2014
Global Reporting Initiative,`G4 sector Disclosures: Airport operators`, 2014
Retrieved from: https://www.globalreporting.org/resourcelibrary/GRI-G4-Airport-Operators-Sector-Disclosures.pdf.
Accessed July 10,2017

Gurturk and Hahn 2016
A. Gurturk and R.Hahn,`An empirical assessment of assurance statements in sustainability reports: smoke screens or enlighting information**`, Journal of Cleaner Production**, 2016, Vol.136 part A, pg. 30-41

Guthrie and Parker 1989
J. Guthrie and L.D. Parker,` Corporate social reporting: A rebuttal of legitimacy theory`, *Accounting and Business Research*,1989, Vol.19, pg.343–352

Guthrie and Parker 1990
J.Guthrie and L.D. Parker,`Corporate social disclosure practice: A comparative international analysis`, *Advances in Public Interest Accounting*, 1990, Vol 3, pg. 159–175

Hahn and Lulfs 2014
R. Hahn and R. Lulfs,`Legitimizing Negative Aspects in GRI-Oriented Sustainability Reporting: A Qualitative Analysis of Corporate disclosure strategies`, **Journal Business Ethics**, Vol.123, pg. 401-420

Hess 2008
D. Hess,` The thre Pillars of Corporate Social repoting as New governance Regulation: Disclosure, Doialogue and Development`, *Michigan Ross school of Business*, July 2008, Working paper no 1112.

IIRC Framework
International Integrated Reporting Council, `The International <IR> Framework`, 2013
Retrieved from: http://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf
Accessed on August 10, 2017

ISO 26000, 2010: Guidance on social responsibility
ISO 26000, 2010: Guidance on social responsibility
Retrieved from:https://www.iso.org/files/live/sites/isoorg/files/archive/pdf/en/discovering_iso_26000.pdf.
Accessed May 30, 2017.

Kates et.al. 2005
Kates et.al., `What is sustainable development? Goals, indicators, values, and practices`, *Environment: Science and Policy for Sustainable Development*, 2005, Vol. 47, number 3, pg. 8–21

Kiron 2012
D.Kiron,` Get ready: Mandated integrated reporting is the future of corporate reporting`, *MIT Sloan Managemnet Review*, 2012

Koc and Durmaz 2015
S.Koc and V.Durmaz,` Airport corporate sustainability: An analysis of indicators reported in the sustainability practices`, *Procedia: Social and Behavioral sciences*, 2015, Vol. 181

Kolk 2003
A.Kolk,`trends in sustainability reporting by the fortune global 250`, *Business Strategy and the Environment*, 2003, Vol.12, pg. 279-291

Kolk 2006
A. Kolk, `Sustainability, accountability and corporate governance: exploring multinationals' reporting practices`, *Business Strategy and the Environment,* 2006, vol. 17, issue 1

Kolk 2010
A.Kolk,`Trajectories of sustainability reporting by MNCs`, *Journal of World Business*, 2010, Vol. 45. Pg. 367-374

KPMG et.al 2010
KPMG et.al, `Carrot and sticks- promoting transparency and sustainability : An update on trend in voluntary and mandatory approaches to sustainability reporting`, 2010
Retrieved from: https://www.globalreporting.org/resourcelibrary/Carrots-And-Sticks-Promoting-Transparency-And-Sustainbability.pdf
Accessed on August 10

KPMG 2015
KPMG,` Currents of Change: the KPMG survey of Corporate Responsibility Reporting 2015
Retrieved from: https://assets.kpmg.com/content/dam/kpmg/pdf/2016/02/kpmg-international-survey-of-corporate-responsibility-reporting-2015.pdf
Accessed May 17, 2017

Larrinaga et. al. 2001
Larringa et.al, ` The role of environmental accounting in organizational change: An exploration of Spanish companies`, *Accounting, Auditing & Accountability Journal*, 2001, Vol.14, number 2, pg. 213–239.

Lee and Hutchison 2005
T.M.Lee and P.D.Hutchison, `The decision to disclose environmental information: A research review and agenda`, Advances in accounting, 2005, Vol. 21, pg. 83-111

McConville 2007
M. McCoville & W. Chui, ` Research Methods for Law`, *Edinburgh University Press*, 2007

Moneva et.al 2006
Moneva et.al, `GRI and the camouflaging of corporate unsustainability`, *Accounting Forum*, 2006, Vol.30, number 2, pg. 121-137

OECD Guidelines for MNE`s 2011
Organisation for Economic Co-opration and Development,`OECD Guidelines for Multinational Enterprises`, 2011
Retrieved from: http://www.oecd.org/daf/inv/mne/48004323.pdf
Accessed august 2, 2017

Pariona 2017
A. Pariona,` The largest airlines in Europe`, 2017
Retrieved from: http://www.worldatlas.com/articles/which-are-the-largest-airlines-in-europe.html.
Accessed July 10, 2017

Park and Brorson 2005
J.Park and T.Brorson,` Experiences of and views on third-party assurance of corporate environmental and sustainability reports`, Journal of Cleaner Production, 2005, Vol.13, number 10-11, pg. 1095-1106

Patten 2002
D.M. Patten,`Media exposure, public policy pressure, and environmental disclosure: An examination of the impact of TRI data availability`, *Accounting Forum*, 2002, Vol. 26, pg. 152–171

PwC 2011
PwC,` Building trust in the air: Is airline corporate sustainability reporting taking off?`, 2011
Retrieved from: https://www.pwc.com/gx/en/sustainability/assets/pwc-airlines-cr.pdf
Accessed July 10, 2017

Reimsbach and Hahn 2015
D. Reimsbach and R. Hahn, 'The Effects of negative Incidents in Sustainability reporting on Investors` Judgements- an experimental study of Third-Party versus self-disclosure in the Realm of Sustainable development`, *Business strategy and the Environment*, 2015, Vol. 24, pg. 217-235

Steyn 2014
M.Steyn,` Senior executives` perspectives of integrated reporting regulatory regimes as a mechanism for advancing sustainability in South African listed companies`, *Southern African Business Review*, 2014, vol. 18, number 3

Thwink: sustainability
Thwink: sustainability. N.d.
Retrived from: http://www.thwink.org/sustain/glossary/Sustainability.htm
Accessed May 23, 2017

UN Global Compact: frequently asked questions
United Nations Global compact, 'Frequently asked questions`, N.d
Retrieved from: https://www.unglobalcompact.org/about/faq
Accessed on August 2, 2017

UN Global Compact: The Ten Principles
United Nations Global Compact: The Ten principles
Retrieved from: https://www.unglobalcompact.org/what-is-gc/mission/principles.
Accessed May 29, 2017.

UN Resolution: Transforming our world: the 2030 Agenda for Sustainable Development, 2015
United Nations General Assembly Resolution 70/1, *Transforming our world: the 2030 Agenda for Sustainable Development*, 25 September 2015
Retrieved from: http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E

WCED, `Our Common Future`, 1987
World Commission on Environment and Development, Our Common Future, New York: Oxford University Press, 1987

Annual and Sustainability Reports

Air France-KLM CSR Report 2016
Air France-KLM Corporate Responsibility Report 2016
Retrieved from: http://csrreport2016.airfranceklm.com/
Accessed July 10, 2017

Balance: key data on sustainability within the Lufthansa Group 2016
Lufthansa Group,' Balance: key data on sustainability within the Lufthansa Group, 2016
Retrieved from: https://www.lufthansagroup.com/fileadmin/downloads/en/responsibility/LH-sustainability-report-2016.pdf
Accessed July 10, 2017

EasyJet annual report 2016
EasyJet annual report 2016
Retrieved from: http://corporate.easyjet.com/investors/reports-and-presentations/2016
Accessed July 10, 2017

IAG annual report 2016
International Airlines Group annual report 2016
Retrieved from: http://www.iairgroup.com/phoenix.zhtml?c=240949&p=irol-reportsannual
Accessed July 10, 2017

Ryanair annual report 2016
Ryanair annual report 2016
Retrieved from: https://investor.ryanair.com/wp-content/uploads/2016/07/Ryanair-Annual-Report-FY16.pdf
Accessed July 10,2017

Appendix

This thesis contains the following appendix:

Appendix 1: General Standard Disclosure Indicators

Appendix 2: Economic Standard Disclosure Indicators

Appendix 3: Environmental Standard Disclosure Indicators

Appendix 4: Social Standard Disclosure Indicators

Appendix 1 General Standard Disclosure Indicators (1)

		Ryan Air	Lufthansa	IAG	Air France-KLM	EasyJet
Strategy analysis						
G4-1	Statement from senior decision-maker	x	x	x		x
G4-2	Key impacts, risks, and opportunities	x	x	x	x	x
Organizational profle						
G4-3	Name of the organization	x	x	x	x	x
G4-4	Activities, brands, products, and services	x	x	x		x
G4-5	Location of headquarters	x	x	x		x
G4-6	Location of operations	x	x	x		x
G4-7	Ownership and legal form	x		x		
G4-8	Markets served	x	x	x		x
G4-9	Scale of the organization	x	x	x		x
G4-10	Information on employees and other workers	x	x	x		x
G4-11	Collective bargaining agreements					
G4-12	Supply chain					
G4-13	Significant changes to the organization and its supply chain	x	x	x		
G4-14	Precautionary Principle or approach					
G4-15	External initiatives	x	x		x	x
G4-16	Membership of associations	x	x	x	x	x
Identified Material aspects and boundaries						
G4-17	Entities included in the consolidated financial statements	x	x	x	x	x
G4-18	Defining report content and topic Boundaries	x	x	x	x	x
G4-19	List of material topics	x	x	x	x	x
G4-20	Explanation of the material topic and its Boundary	x	x	x	x	x
G4-21	Explanation of the material topic and its Boundary	x	x	x	x	x
G4-22	Restatements of information					
G4-23	Changes in reporting					
Stakeholder engagement						
G4-24	List of stakeholder groups		x		x	
G4-25	Identifying and selecting stakeholders		x		x	
G4-26	Approach to stakeholder engagement		x	x	x	
G4-27	Key topics and concerns raised		x	x	x	

Appendix 1 General Standard Disclosure Indicators (2)

		Ryan Air	Lufthansa	IAG	Air France-KLM	EasyJet
Report profile						
G4-28	Reporting period	x	x	x	x	x
G4-29	Date of most recent report	x	x	x	x	x
G4-30	Reporting cycle	x	x	x	x	x
G4-31	Contact point for questions regarding the report	x	x		x	
G4-32	Claims of reporting in accordance with the GRI Standards					
G4-33	External assurance	x	x		x	
Governance						
G4-34	Governance structure	x		x	x	x
G4-35	Delegating authority			x	x	x
G4-36	Executive-level responsibility for economic, environmental, and social topics	x	x	x	x	x
G4-37	Consulting stakeholders on economic, environmental, and social topics		x	x	x	x
G4-38	Composition of the highest governance body and its committees	x		x	x	x
G4-39	Chair of the highest governance body	x		x		x
G4-40	Nominating and selecting the highest governance body	x		x		x
G4-41	Conflicts of interest			x		x
G4-42	Role of highest governance body in setting purpose, values, and strategy	x	x	x		x
G4-43	Collective knowledge of highest governance body	x		x		x
G4-44	Evaluating the highest governance body's performance	x	x	x		x
G4-45	Identifying and managing economic, environmental, and social impacts	x	x	x		x
G4-46	Effectiveness of risk management processes	x		x	x	x
G4-47	Review of economic, environmental, and social topics		x	x	x	
G4-48	Highest governance body's role in sustainability reporting		x	x		
G4-49	Communicating critical concerns	x		x	x	
G4-50	Nature and total number of critical concerns					
G4-51	Remuneration policies	x		x		x
G4-52	Process for determining remuneration	x		x		x
G4-53	Stakeholders' involvement in remuneration			x		
G4-54	Annual total compensation ratio	x		x		x
G4-55	Percentage increase in annual total compensation ratio	x				x
Ethics and integrity						
G4-56	Values, principles, standards, and norms of behavior				x	
G4-57	Mechanisms for advice and concerns about ethics	x	x	x	x	
G4-58	Mechanisms for advice and concerns about ethics	x	x	x	x	
Total indicators		40	34	43	29	35

Appendix 2 Economic Standard Disclosure Indicators

		Ryan Air	Lufthansa	IAG	Air France-KLM		EasyJet
Economic performance							
G4-EC1	Direct economic value generated and distributed	x	x	x			x
G4-EC2	Financial implications and other risks and opportunities due to climate change						
G4-EC3	Defined benefit plan obligations and other retirement plans						
G4-EC4	Financial assistance received from government						
Market presence							
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage						
G4-EC6	Proportion of senior management hired from the local community						
Indirect economic impacts							
G4-EC7	Infrastructure investments and services supported						
G4-EC8	Significant indirect economic impacts						
Procurement Practices							
G4-EC9	Proportion of spending on local suppliers						
Total Indicators		1	1	1		0	1

Appendix 3 Environmental Standard Disclosure Indicators

		Ryan Air	Lufthansa	IAG	Air France-KLM		Easyjet
Materials							
G4-EN1	Materials used by weight or volume						
G4-EN2	Recycled input materials used						
Energy							
G4-EN3	Energy consumption within the organization						
G4-EN4	Energy consumption outside of the organization						
G4-EN5	Energy intensity						
G4-EN6	Reduction of energy consumption						
G4-EN7	Reductions in energy requirements of products and services						
Water							
G4-EN8	Water withdrawal by source						
G4-EN9	Water sources significantly affected by withdrawal of water						
G4-EN10	Water recycled and reused						
Biodiversity							
G4-EN11	Operational sites near biodiversity protected areas				x		
G4-EN12	Significant impacts of activities, products, and services on biodiversity						
G4-EN13	Habitats protected or restored				x		
G4-EN14	IUCN Red/ national conservation list species with habitats in areas affected by operations						
Emissions							
G4-EN15	Direct (Scope 1) GHG emissions						
G4-EN16	Energy indirect (Scope 2) GHG emissions						
G4-EN17	Other indirect (Scope 3) GHG emissions						
G4-EN18	GHG emissions intensity						
G4-EN19	Reduction of GHG emissions						
G4-EN20	Emissions of ozone-depleting substances (ODS)						
G4-EN21	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions						
Effluents and Waste							
G4-EN22	Water discharge by quality and destination						
G4-EN23	Waste by type and disposal method						
G4-EN24	Significant spills						
G4-EN25	Transport of hazardous waste						
G4-EN26	Water bodies affected by water discharges and/or runoff						
Products and Services							
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	x	x	x	x		x
G4-EN28	Reclaimed products and their packaging materials						
Complaince							
G4-EN29	Non-compliance with environmental laws and regulations	x	x	x	x		x
Transport							
G4-EN30	Environmental impacts of transporting products and other goods/materials						
Overall							
G4-EN31	Total environmental protection expenditures and investments by type						
Supplier environmental asssessment							
G4-EN32	New suppliers that were screened using environmental criteria						
G4-EN33	Negative environmental impacts in the supply chain and actions taken						
Environmental girevance mechanisms							
G4-EN34	The management approach and its components						
Total Indicators		2	2	2	4		2

Appendix 4 Social Standard Disclosure Indicators (1)

		Ryan Air	Lufthansa	IAG	Air France-KLM		EasyJet
	Sub category: Labor practices and decent work						
Employment							
G4-LA1	New employee hires and employee turnover						
G4-LA2	Benefits provided to full-time employees and/or part-time employees						
G4-LA3	Parental leave						
Labor/Management relations							
G4-LA4	Minimum notice periods regarding operational changes						
Occupational health and safety							
G4-LA5	Workers representation in formal joint management–worker health and safety committees						
G4-LA6	Types of injury and rates of injury, occupational diseases,work-related fatalities, lost days						
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation						
G4-LA8	Health and safety topics covered in formal agreements with trade unions						
Training and education							
G4-LA9	Average hours of training per year per employee						
G4-LA10	Programs for upgrading employee skills and transition assistance programs						
G4-LA11	Percentage of employees receiving regular performance and career development reviews						
Diversity and equal opportunity							
G4-LA12	Diversity of governance bodies and employees		x	x	x		x
G4-LA13	Ratio of basic salary and remuneration of women to men		x				x
Supplier social assessment							
G4-LA14	New suppliers that were screened using social criteria						
G4-LA15	Negative social impacts in the supply chain and actions taken						
Labor practices grievance mechanisms							
G4-LA16	The management approach and its components						

Appendix 4 Social Standard Disclosure Indicators (2)

		Ryan Air	Lufthansa	IAG	Air France-KLM		EasyJet
	Subcategory: Human Rights						
Investment							
G4-HR1	Investment agreements and contracts that include human rights clauses/screening						
G4-HR2	Employee training on human rights policies or procedures						
Non-discrimination							
G4-HR3	Incidents of discrimination and corrective actions taken						
Freedom of association and collective bargaining							
G4-HR4	Operations/suppliers which risk the right to freedom of association and collective bargaining						
Child Labor							
G4-HR5	Operations and suppliers at significant risk for incidents of child labor						
Forced or compulsory labor							
G4-HR6	Operations and suppliers at significant risk for incidents of forced or compulsory labor						
Security Practices							
G4-HR7	Security personnel trained in human rights policies or procedures						
Indigenous							
G4-HR8	Incidents of violations involving rights of indigenous peoples						
Assessment							
G4-HR9	Operations that have been subject to human rights reviews or impact assessments						
Supplier human rights assessment							
G4-HR10	New suppliers that were screened using social criteria						
G4-HR11	Negative social impacts in the supply chain and actions taken						
Human rights grievance mechanisms							
G4-HR12	The management approach and its components						

Appendix 4 Social Standard Disclosure Indicators (3)

		Ryan Air	Lufthansa	IAG	Air France-KLM		EasyJet
	Sub category: Society						
Local communities							
G4-SO1	Operations with local community engagement, impact assessments, development programs						
G4-SO2	Operations with significant actual and potential negative impacts on local communities						
Anti-corruption							
G4-SO4	Operations assessed for risks related to corruption						
G4-SO5	Communication and training about anti-corruption policies and procedures						
G4-SO6	Confirmed incidents of corruption and actions taken						
Public policy							
G4-SO6	Political contributions						
anti-competitive behaviour							
G4-SO7	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	x					
Complaince							
G4-SO8	Non-compliance with laws and regulations in the social and economic area	x	x	x	x		x
Supplier assessment for impact on society							
G4-SO9	New suppliers that were screened using social criteria						
G4-SO10	Negative social impacts in the supply chain and actions taken						
Grievance mechanisms for impacts on society							
G4-SO11	The management approach and its components						

Appendix 4 Social Standard Disclosure Indicators (4)

		Ryan Air	Lufthansa	IAG	Air France-KLM		EasyJet
	Sub category: Product responsibility						
Customer health and safety							
G4-PR1	Assessment of the health and safety impacts of product and service categories						
G4-PR2	Incidents of non-compliance concerning the health and safety impacts of products and services						
Product and service labeling							
G4-PR3	Requirements for product and service information and labeling						
G4-PR4	Incidents of non-compliance concerning product and service information and labeling						
	results of consumer surveys						
G4-PR5	Key topics and concerns raised						
Marketing communications							
G4-PR6	sale of banned goods, activities, brands, products and services						
G4-PR6	Incidents of non-compliance concerning marketing communications						
Customer privacy							
G4-PR8	total number concerning breaches of customer privacy/ losses of customer data						
Complaince							
G4-PR9	Non-compliance with laws and regulations in the social and economic area		x	x	x		
Total indicators		3	4	4	4		3