A review of Corporate Social Responsibility assessment and reporting techniques in the aviation industry

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Corporate Social Responsibility (CSR) or corporate sustainability or business ethics or business in society or corporate citizenship:
great idea in the context of sustainable development
Supporting competitive economies and promoting balanced regional development
Through CSR, corporations importantly contribute to the EU’s treaty objectives of sustainable development and a highly competitive social market economy’

Mullerat R. (2013:5)

Part 3 of Art. 293 The Ukraine-European Union Association Agreement:

‘the Parties shall strive to facilitate trade in products that contribute to sustainable development, including products that are the subject of schemes such as fair and ethical trade schemes, as well as those respecting corporate social responsibility and accountability principles’

EU 2014
Julia Gerasymchuk, in her interview for Ivan and Kristina:

“The topic of **CSR is absolutely essential** for Ukrainian airlines and airports. At the same time, it definitely requires much more promotion in terms of **understanding** its true importance and impact **among companies’ leaders** as well as general public, including passengers and all sorts of institutions.

**Certain shift in mindset is required at top-management level – to recognize broader company responsibility, promote sustainable values and lead by example**.”
Theory:

- CSR approach aims to assess or evaluate the company's contribution to a holistic development of society over a period of time.
- CSR reporting is intended to develop a holistic vision for investing and understanding how consumed resources are used.
- The indices of CSR should help investors and the public to make decisions about trust and possible investment in the company.
Practice:

- British Airways, Heathrow Airport Limited, Cardiff airport and Manchester Airport Group are the members of Business in the Community network;
- Heathrow Airport Ltd and Manchester Airports Group are the finalists of The Responsible Business of the 2019 Year Award (BiTC 2019);
- ANA Holdings Inc with the total sustainability score 78 as a leader in the airlines industry (RobecoSAM AG 2018);
- TUI is listed on Dow Jones Sustainability Index (DJSI) and the FTSE4Good Index with the average score of 4 (TUI 2016, TUI 2018);
- CSRHub website measured EasyJet plc CSR / ESG Ranking as 81%, Aeroflot – 47 %, Wizz Air Holdings Plc – 38 % compared with 17,287 companies (CSRHub 2019).
Are the above data sufficiently informative and transparent?

Are the data comparable for making investment decisions?
Practice:

- Several independent agencies offer CSR assessment and ranking services (Business in the Community, RobecoSAM, KLD Research & Analytics, Inc., Calvert Research and Management)

- CSR assessment indices, awards rules and benchmarking are different, designed according with vague criteria
Challenges of applying the CSR concept

- Different levels of economic development, cultural diversity and rather broad definition of social responsibility

- The techniques of CSR assessment and reporting are in the initial stages of development

- Assessment systems are commercially oriented; therefore, data is not available
  - Hopkins (2005)

- Lack of transparency, weak information content and communication between businesses and society
  - Saxena 2016, Giannarakis 2016
Some scientific approaches to the formation of a methodology for assessing CSR of aviation businesses

- a novel entropy-grey analysis for CSR

Indicators: ratio of return on equity; growth of net profit; average price; on-time performance; accident rate; flight frequency; growth of employees revenue; employees revenue; tax performance; environmental protection investment; donation contribute and sponsorship (total expense of donation contribute and sponsorship/total operating revenues).

Chinese airlines CSR, Wang et. al (2014)
Some scientific approaches to the formation of a methodology for assessing CSR of aviation businesses

- a pooled liner regression model of the impacts of CSR activities on financial results

Return on assets (ROA) and return on equity (ROE), Tobin’s Q and price earnings ratio, MSCI ESG KLD STATS indicators, CSR data from Compustat database and web site, Yahoo! Finance

Kang et. al (2010)
However questions remain

- The concepts and content of CSR ‘performance measures’ and ‘criteria’
- The aviation businesses’ CSR framework
- CSR reporting
The framework of reporting and assessment


Wang et. al (2014): shareholders, customers, employees, government and the general public

International Airlines Group + GRI + IATA (2019): environment; noise; workforce; future competitiveness; corporate governance.
Even though the main players in the European aviation market apparently decided to stick to the GRI concept, analysis of some annual reports, for example, LHR Airports Limited (n.d.), IAG (2019), Aeroflot (2019) shows that the issue of measuring and comparing the results of the company's CSR remains open.

‘One can only imagine the headaches that companies have in trying to adhere to the guidelines.’

Suggested approaches to the formation of the CSR assessment criteria

Based on the review and preliminary studies it can be concluded that there is an emerging call from regulatory authorities, aviation business and investors to improve decision-making tools for long-term investment decisions.
Framework (themes) for aviation businesses’ CSR report:

- Affordability
- Safety, security,
- Fairness and efficiency
- Air services while supporting a competitive economy and balanced regional development

ICAO (2013)
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Fig. 1. Proposed blueprint for further research.
The general scheme of the fuzzy inference system for the simulation of the airlines’ and airports’ CSR assessment system

**Stage 1**
Identification of sets of indicators and particular criteria for the aviation businesses’ CSR assessment.

**Stage 2**
Formation of input information for building membership functions

**Stage 3**
Formation of fuzzy rules to obtain output for the aviation businesses’ CSR assessment

**Stage 4**
Obtaining a numeric value of the aviation businesses’ CSR for further investment decision making
Acknowledgements

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Thank you for your attention!