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Corporate Responsibility Reporting Based on GRI Reporting Standard

Development of reporting of case companies Cargolux, Finnair and SAS

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This thesis examined the corporate responsibility (CR) reporting. The thesis consists of theoretical part and a multiple case study, in which the CR reports of three European airlines are analysed. All of the case companies are reporting according to the Global Reporting Initiative (GRI) guidelines, which is most commonly used reporting standard globally.

The aim of the study was to find out how the CR reports of the case companies have developed during the past five years and how well the reports match the GRI reporting guidelines. Also some conclusions were drawn on how the reports could be improved further.

This study was conducted by using qualitative research methods. The theoretical part was constructed by thorough research of literature on the topic. The main sources of information for the case study were the CR reports of the case companies from the past five years. Also an interview of one company representative was conducted to gain insight to matters that were left unanswered after the study of the literature and the reports.

The findings of the study show that GRI guidelines set a good basis for the reporting, but still leave enough latitude for the companies to emphasise the matters they find the most relevant. It was noticed that environmental issues were given the most space in the reports, but during the recent years there has been a significant rise in the reporting of social matters.

Keywords	CR, reporting, responsibility, GRI, sustainability

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1 Introduction

Corporate responsibility is a current topic as nowadays companies are demanded to be more and more transparent and responsible in their actions. Mission of the companies is not anymore seen only as profit maximization for shareholders, but they are expected to act as responsible members of the society. Especially the growing concern on the consequences of climate change and globalisation has increased the pressure on the companies.

In order to better understand the concept of corporate responsibility (CR), it is often divided into three subsections: environmental, social and economic. Environmental responsibility covers mainly the actions taken by the companies to protect the nature, whereas social responsibility includes the well-being of the employees as well as the society in which the company operates. Social responsibility can also be extended to cover issues of human rights and product responsibility (Jussila: 15-16) Economic responsibility is probably the least discussed aspect of CR. It consists of actions to secure the profitability of the company as well as taking into account the economic impacts on the stakeholders (Niskala, Pajunen and Tarna-Mani 2009: 19). All of these three dimensions of responsibility are seen as equally important.

CR can be referred to with several terms such as sustainability, corporate social responsibility (CSR) or good corporate citizenship. In recent years the term corporate responsibility has been used more commonly taking away the emphasis on just the social dimension that is implied by CSR (Burchell 2008: 79). In this thesis those terms are used as synonyms and reporting of responsibility performance is referred to as corporate responsibility reporting.

This thesis focuses on examining the reporting of corporate responsibility. Reporting is a built-in part of corporate responsibility as transparency, which is the core of responsibility, cannot be fulfilled unless the actions and achievements of the company are reported in public (Jussila 2010:144). Through CR reports, companies can measure their performance on economic, social and environmental issues and most importantly, communicate these matters to the stakeholders.

Currently there is no compulsory reporting standard, but the most commonly used standard globally is Global Reporting Initiative (GRI) framework. GRI is a non-profit organisation offering guidance on non-financial reporting by publishing a set of guidelines, which are publicly available for everyone. The aim of the GRI is to make CR reporting as common and comparable as financial reporting. However, even the use of the guidelines does not guarantee that the reported matters are relevant for the report users.

This thesis uses qualitative research methods and includes multiple case studies. The CR reports of three companies are studied with the aim to see how the reports have developed during the past five years. As all of the case companies use GRI reporting guidelines, the aim is also to see how well the companies have managed to follow the guidance.

This thesis is organised in the following way: first the objectives and scope of the study will be explained, secondly the methodology used is described, followed by a brief explanation of the current situation of airline industry in general as well as description of each case company. The chapter two begins with explaining the theory of CR and then the voluntary initiatives promoting CR will be discussed. Rest of the chapter two goes through the concept of CR reporting by discussing the purpose of it, the GRI guidelines directing the reporting, the benefits and the weaknesses of it as well as the future of reporting. The research findings of the case company reports are discussed in chapter three. The chapter starts with explanation of the reporting history of the case companies, then the reports are analysed by comparing them to the GRI reporting principles followed by the analysis of the development of economic, social and environmental performance information included in the reports. Finally, chapter four summarises all the findings of this thesis.

1.1 Objectives and scope of the study

This thesis aims to provide general level information on corporate responsibility reporting and analyse the reporting of the chosen companies. The aim is to draw conclusions on how the reports of the case companies have developed over time and how well the reporting guidelines are implemented. The present research examines merely the content of the reports and no comments are made on how well the concept of corporate responsibility is integrated in the business strategy. Companies publish a vast amount of material related to corporate responsibility in their webpages. However, this present research focuses only on the annually published CR reports.

The case companies were chosen from aviation industry based on personal interest. Airlines face a lot of pressure especially on environmental issues as the concern on climate change grows. All of the case companies are based in Europe, which enables better comparison as they operate in similar operational and legal environment. One criterion for the selection of the companies was that they report according to the GRI guidelines, which makes it possible to compare the reports against each other in order to find similarities and differences. Another criterion was that companies have been reporting at least for a few years in order to draw conclusions on how the reporting has developed over time.

This thesis has several objectives. The first objective is to provide general level information on CR reporting based on the literature and recent researches on the topic. The second objective is to find out how the reporting of the case companies has developed and how well the reports follow the guidelines. This is done by comparing the reports to each other's as well as to the reporting guidelines. The third objective is to provide some ideas on how the reporting of the case companies could be improved further.

This thesis consists of two parts. The first part aims to give insight into the theory of corporate responsibility. Also the purpose CR reporting is discussed and the standards guiding it are introduced, focusing mainly on the GRI guidelines. In the second part the reports are examined in order to find out how they have developed over time. The content and the quality of the report will be critically examined by using the GRI guidelines as comparison material.

1.2 Methodology

The present research uses qualitative research methods. Qualitative research methods is an umbrella term, which covers several interpretative techniques which seek to describe, decode, translate and otherwise come to terms with the meaning of some certain phenomena (Van Maanen 1979 cited in Ghauri and Grønhaug 2005:202). Qualitative research methods can be described as flexible and unstructured. These methods usually include a low number of observations which makes it possible to analyse several aspects of the research problem. Therefore, qualitative methods are the most suitable when the objectives of the research demand for in-depth insight into a phenomena (Ghauri and Grønhaug 2005:110-112).

The present research uses multiple case study design. Case study can be defined as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence" (Robson 2002:178, cited in Saunders, Lewis & Thornhill 2007: 139). Justification for use of multiple cases rather than one is the need to find out if the findings of the first case occur in other cases and, as a consequence, the need to make generalizations from these findings (Saunders et al. l 2007: 140).

The theoretical part of the thesis was constructed by thorough research of publications on the topic. CR is a rather new phenomenon and therefore a vast amount of recent publications on the subject are available. The secondary sources included published literature, recent research publications, online sources and news articles.

Primary research was conducted in the form of an interview. The aim of the interview was to find out the company opinion on CR reporting and the guidelines directing it. Study of the reports arose some questions that were also asked for clarification in the interview. Selection of the interviewee was relatively easy. As the other case companies are foreign, it was more likely to get an interview from the representative of the Finnish case company, Finnair. Vice President for Sustainable Development Kati Ihamäki was willing to give an interview. The structured interview was conducted on 9th October 2012 by telephone and lasted 15-20 minutes. The questions used on the interview can be found in Appendix 1.

However, the main source for the present research was the CR reports, which were obtained from the company webpages. The reports are studied from the past five years. Length of study period was chosen so that it is long enough to make it possible to draw conclusions on how the reporting has developed over time. A longer time frame would not add any value to the research as the case companies do not have a long history of CR reporting.

The present research uses qualitative document analysis method which is described by O'Leary (2004: 177) as collection, review, interrogation, and analysis of various forms of text as a primary source of data. The reports are critically analysed by using the GRI guidelines as comparison material in order to see how well the reports follow the guidelines. Some qualitative data from the reports was quantified to make it possible to be presented in a form of a graph.

1.3 Validity and reliability

The term reliability is used to describe the extent to which the research findings are consistent, in other words whether the results generated are the same under repeated trials (O'Leary 2004: 58). This present research relies mainly on secondary sources and therefore another researcher using the same sources could end up with the same results. However, the CR reports that are studied contain a lot of information and in consequence someone else might find other matters more significant and emphasise those. It can be stated that the results of this study are reliable to certain extent.

O'Leary (2004: 178) points out that in the document analysis, the sources of bias should be considered. As this research method means working with pre-produced texts, the credibility of the generated data will be partly dependent of recognition of the bias and purpose of the author. As with all research methods, another source of bias is the researcher whose interpretation of the document is coloured by one's own reality. In case of this thesis, the documents analysed are the CR reports published by the case companies. The biased characteristics of the researched reports are recognised, but as this study focuses on examining the development of reporting and comparing the reports the truthfulness of the content of the reports is not considered to be significant problem.

Another important matter that should be considered in research is validity. It is often divided into internal and external validity. Internal validity refers to the question of whether the results obtained within the research are true (Ghauri and Grønhaug 2005:65). Validity of a research can be improved by using "triangulation" which refers to the use of more than one source of data to confirm the authenticity of each source (O'Leary 2004: 115).

External validity refers to the question whether the findings of the research are "generalizable" and therefore can be equally applicable to other research settings. External validity can be a particular concern in case studies with one or a small number of organisations (Saunders et al.2007: 151). The present research examines reporting of only three airlines and therefore the findings cannot be generalised to the whole industry or all reporting companies. Constructing a generalizable theory is not an objective of the present research; instead it aims to explain what is going on in the particular research setting.

1.4 Case companies

This study analyses CR reports of three European airlines. The key characteristics of the case companies are presented in Table 1. Despite the fact that the companies are different size for example in terms of revenue and number of employees (see Table 1) and offer different kinds of services, they all operate in similar legal environment. Also all of the companies suffer from the constantly rising price of fuel and the prolonged global economic crisis which affects the demand unfavourably. They all face similar pressure on environmental issues, especially in the reduction of the carbon dioxide (CO_2) emissions.

Since the beginning of year 2012 aviation industry has been included in the European Union's emission trading system (EU ETS). According to European Commission (2012) this means that "airlines receive tradeable allowances covering a certain level of CO_2 emissions from their flights per year. After each year operators must surrender a number of allowances equal to their actual emissions in that year". If the actual emissions are lower than the allowance, the surplus allowances can be sold or saved to cover future emissions. All flights landing or taking off an EU airport are included in the EU ETS.

Table 1. Key characteristics of the case companies[1]

	Cargolux	Finnair Group	SAS Group
Founded	1970	1932	1946
Country	Luxembourg	Finland	Sweden, Norway, Denmark
Revenue (mill. EUR)	1 461,27[2]	2 257,70	4 774,81[3]
Employees	1 564	7 467	15 142
Destinations	63	Over 70	128
Passenges (millions)	none	8,01	27,2
Cargo and mail (tonnes)	658 800	145 883	n/a

The first case company, Cargolux Airlines International S.A. (Cargolux), is a Luxembourg-based airline which was founded in 1970. Cargolux differs from the other airlines included in this research as it carries only cargo. Cargolux is the biggest all-cargo airline in Europe providing air freight transport services to freight forwarders through scheduled and charter flights (Cargolux 2012b: 102). Many of the European destinations are covered by road feeder service from the Luxembourg hub. The main shareholders are Luxair (43,4%) and Qatar Airways (35%) (Cargolux 2012b: 13).

The second company included in the study is Finnish airline company Finnair. The parent company of Finnair Group is Finnair Oyj which is listed in Helsinki Stock Exchange. The major shareholder is the Finnish Government with a holding of 55,8 per cent. Finnair flies altogether to 70 destinations in Europe, North America and Asia.

[1] Cargolux 2012a;b, Finnair 2012a;b & SAS 2012a;b.
[2] Cargolux presents figures in USD. The currency is converted into EUR.
[3] SAS presents figures in SEK. The currency is converted into EUR.

Finnair specialises in flights to Asia and the aim of the company is to be among the top three airlines operating between Asia and Europe in near future (Finnair 2012a). Operations of the Finnair Group cover scheduled passenger traffic and leisure traffic, cargo traffic, technical and ground handling operations, catering, travel agencies as well as travel information and reservation services (Finnair 2012b: 47).

The third company, SAS Group (further referred as SAS) was founded in 1946 as a merger of Swedish, Norwegian and Danish airlines. The parent company of the group is SAS Ab and half of the shares of the group are owned by the states of Sweden, Norway and Denmark. The SAS Group includes three airlines; Scandinavian Airlines, Norwegian regional airline Widerøe and Finnish airline Blue1. Other companies belonging to the group are SAS Cargo, SAS Ground Handling and SAS Technical Maintenance. Currently SAS is the eight largest airline in Europe by the number of passengers (SAS 2012a).

2 Theoretical background

2.1 Corporate responsibility

The concept of corporate social responsibility (CSR) appeared in the academic literature first time already in 1953 when Bowen introduced the idea of social responsibilities of business. The academic interest on CSR grew during the 1960's and 1970's, when the term "CSR" was established (Kakabadse and Kakabadse 2007: 10-11). However, according to Jussila (2010: 8-9), the main framework and theories of CSR were developed during the 1990s. During that time the general grouping of CSR into the economic, social and environmental responsibility was established. In the recent years the term corporate responsibility (CR) has been used more often, taking away the emphasis on just the social dimension that is implied by CSR (Burchell 2008: 79).

Even though the debate on responsibility of the companies has been going on for decades, it still lacks clear and all-inclusive definition. The European Commission (2011a: 3) has defined CR as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". In most cases CR is used to describe a good corporate citizenship or an entrepreneurship that is in accordance with the principle of sustainable development (Burchell 2008: 79-80). The latter has been defined by United Nation's Brundtland Commission in 1987 as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (Christopher 2011: 241).

The traditional view has been that companies' only aim is to serve the interests of only one stakeholder group: the shareholders (Coulter 2005: 48). The most well-known supporter of this view was Milton Friedman who has stated that, the only responsibility company has is to create wealth for the shareholders. He states that spending money for instance on reducing pollution beyond the level that is required by the law, means additional costs which will be passed to the shareholders in a form of lower return on investment, to customers in a form of higher price or to the employees as lower salaries (Friedman 1970 in Burchell 2008: 84-85).

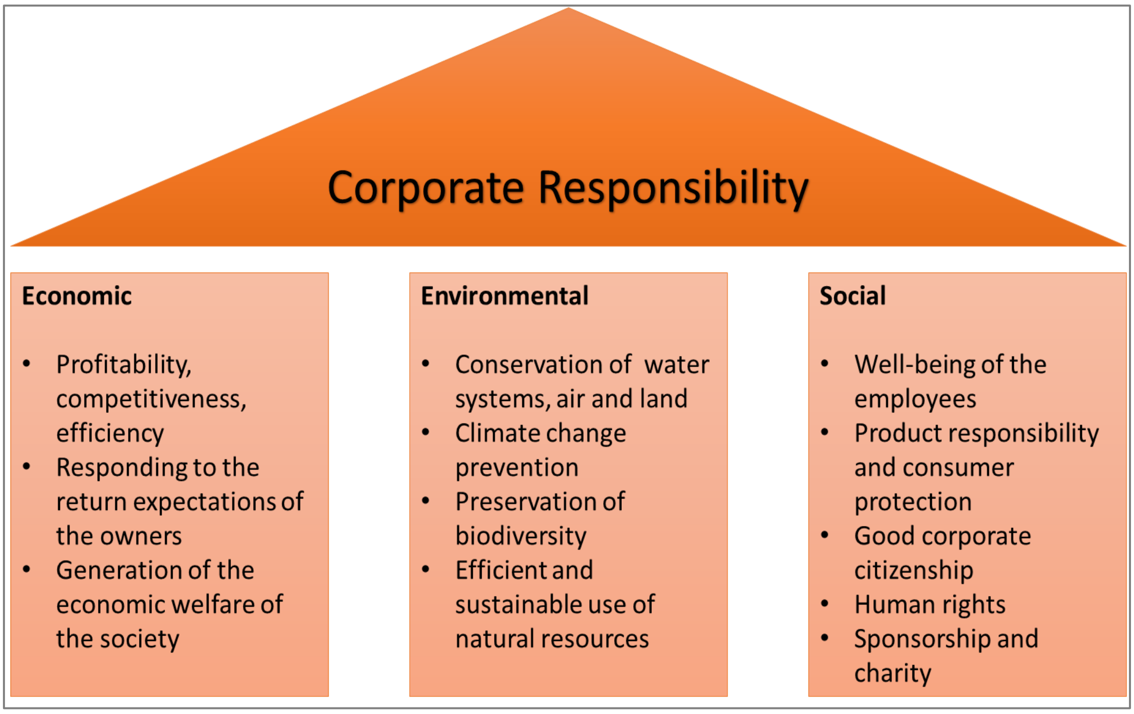

Figure 1. The three dimensions of corporate responsibility (adapted from Niskala et als. 2009: 20).

As mentioned earlier the corporate responsibility is often divided into three dimensions as illustrated in the Figure 1. One aspect of the economic responsibility is responding to the expectations of the owners by generating financial return on the investment. Also the companies contribute to the economic welfare of the societies by paying taxes and salaries to the employees. Also maintaining the profitability is one part of the responsibility, as only viable company can act responsibly (Niskala, Pajunen and Tarna-Mani 2009:19). Environmental responsibility is probably the clearest dimension. It refers to mitigation of the negative impact on environment caused by the operations of the company and to the planning the use of natural resources carefully (Jussila 2010: 79-81). The conception of social responsibility varies greatly. Narrowly it includes only the well-being and work conditions of the employees, but often it is extended to cover also the society, human rights and product responsibility (Jussila 2010:15).

In the 2000s the theory of corporate responsibility has been emphasising the interaction with the stakeholders (Jussila 2010: 9). This is often referred as "stakeholder dialogue", the communication between the company and the different interest groups. The term stakeholder is used to refer to individuals, organisations and groups that have interest, a stake, in the company and have a ability to influence it

(Dahlstrom 2011: 26). Each company has their own set of stakeholders and communication methods, but usually those are at least public administration, owners, customers, personnel, business partners, competitors, media and non-governmental organisations (NGOs) (Jussila 2010: 126).

2.2 Corporate responsibility reporting

When compared to financial reporting, the history of which goes back hundreds of years, CR reporting is a rather new phenomenon. The first environmental reports were published at the end of the 1980s and the other aspects of corporate responsibility have been included in the reports during the recent years (Niskala et als. 2009: 15). The first companies to report on CR issues were chemical companies. Even nowadays companies in chemical and computer industries are more eager to publish CR reports than companies, for example, in retail or in banking industry (Dahlstrom 2011: 303).

GRI (2011:40) defines the CR report as "a single, consolidated, disclosure that provides a reasonable and balanced presentation of performance over a fixed time period". Corporate responsibility reporting has several names. It can be referred to as non-financial reporting, corporate social responsibility (CSR) reporting, responsibility reporting or sustainability reporting to mention a few. KPMG (2011a:2) states that whereas the CR reporting used to seen as fulfilment of moral obligation to the society, nowadays many companies see it as business imperative.

At the moment there is a diversified regulation on CR reporting in EU member states. In most of the countries it is voluntary, but for instance in Sweden state-owned companies are required to report on CR (KPMG 2011a: 9). In France listed companies are required to in report on environmental and social issues in their annual reports and also Netherlands that is required from listed companies, however only on matters that company seems relevant (Zandvliet 2011). In Finland reporting is voluntary, but Finnish Government has stated that all companies owned wholly or partially by Finnish State should publish either separate report on corporate responsibility or include the information in their annual financial report. Government recommends this also for privately held and listed companies (Valtioneuvosto 2011: 5).

Companies used to publish separate reports on financial and CR performance but lately growing number of companies have been developing reports in which both matters are combined into one document. Companies themselves call these as "integrated reports", but as KPMG (2011a: 21-23) points out that these are usually more like "combined reports" as the CR information is completely separate section in the report. The future trend is aiming to integrated reports where the sustainability performance and other responsibility activities are fully integrated to the financial performance. KPMG anticipates a rise in integrated reporting. When corporate responsibility is integrated as part of the overall business strategy, it is logical that the performance is reported in a same document as the financial information. Integrated reporting helps stakeholders to understand and compare the risk and performance of the companies more easily (PwC 2011: 7).

PricewaterhouseCoopers (PwC) (2011:8) has conducted a research on corporate responsibility reporting of airlines. The Figure 2 shows that from the sample of the top 100 airlines globally by revenue, only 34 per cent publish corporate sustainability reports either as integrated part of annual report or as separate report. As much as 62 per cent does not provide any kind of report on CR issues.

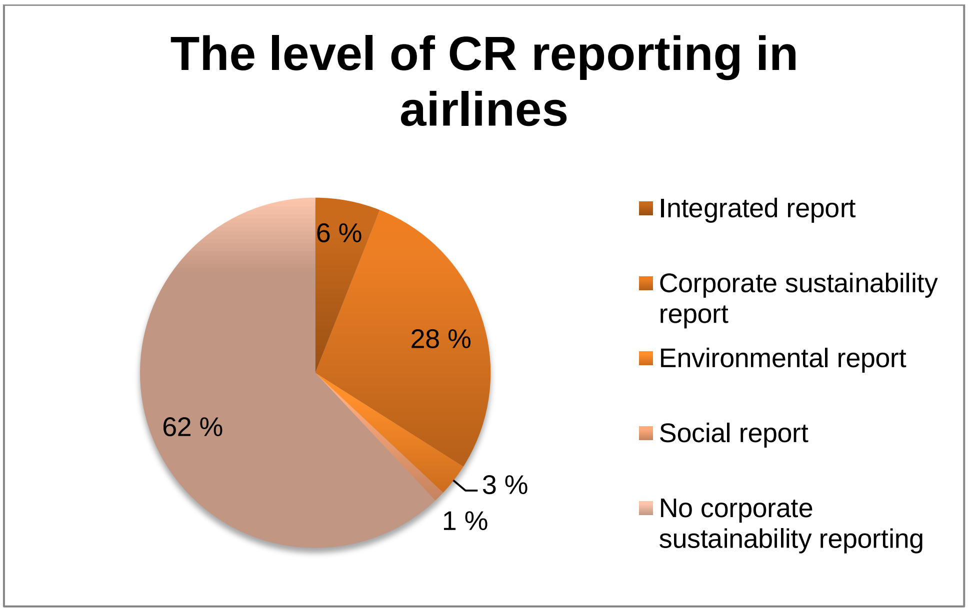

Figure 2. The level of CR reporting in airlines (adapted from PricewaterhouseCoopers 2011: 8).

PwC raises the lack of sector wide reporting standards as one of the main weaknesses in the reporting. This issue was also raised in the interview with Vice President of Sustainable development of Finnair Kati Ihamäki. According to her the biggest weakness in the GRI reporting guidelines is that they do not provide sector supplements for airlines. For instance airline operators have their own sector specific guidelines. Ihamäki raises noise levels as one example, which is not required by the GRI guidelines, but is still very significant factor that all airlines should report on (Ihamäki 2012).

Pwc (2011: 17) points out that currently it is difficult to compare airlines' report as for instance the reporting of carbon dioxide (CO_2) emissions varies greatly. Other airlines present those in kilogrammes of CO_2 per 100 passenger kilometres and others in grams of CO_2 per 100 revenue passenger kilometres. Also only a few airlines explain the methodology of these calculations or manage to explain the meaning of those clearly.

According to Pwc (2011: 5; 17), the number of reporting airlines is growing constantly and also the quality of the reports is improving. The need for sector specific guidance has been acknowledged widely and currently International Air Transport Association (IATA) is developing environmental management system called IATA Environmental Assessment (IEnvA).

2.3 Voluntary initiatives promoting responsibility

There are several voluntary initiatives promoting corporate responsibility in which companies can participate. Here the most common ones are introduced. Global Reporting Initiative is also one of these initiatives, but it will be discussed in its own section further in this thesis.

Environmental management systems (EMS) refer to management tools for environmental issues. The two most common of these are Eco-Management and Audit Scheme and ISO 14001. European Union's Eco-Management and Audit Scheme (EMAS) is a management tool for both companies and organisations to evaluate, report and improve their environmental performance. EMAS is voluntary, so therefore it is only binding for the companies implementing it (European Commission 2011b).

International Organization for Standardization (ISO) has developed thousands of standards for different subjects. The ISO 14000 family is a set of voluntary standards and guideline references for companies aiming to minimise their environmental impact (McKinnon et al. 2010: 42). Organisations adapting ISO 14001 commit to compliance with the current legislation and to continuous improvement. This standard is a way to assure stakeholders of the environmental responsibility the company is taking. EMAS and ISO 14001 share the same objective, but EMAS goes beyond requirements of ISO 14001 standard (European Commission 2008). Otherwise than ISO 14001, EMAS includes compulsory reporting on sustainability performance.

ISO 26000 (also known as ISO SR) is standard on corporate responsibility focusing mainly on social matters. ISO 26000 defines the different sections of CR and sets guidelines for reporting but unlike other ISO standards this one cannot be certified. (Jussila 2010: 49). The guidelines include seven subjects: organizational governance, human rights, labour practices, environment, fair operating practices, consumer issues and community involvement and development (ISO 2010: 6-7).

Global Compact (GC) is a part of United Nations Environment program (UNEP) providing guidance on sustainability issues. It has a ten principles model which includes matters that can be divided into four groups: human rights, labour practices, anti-corruption and environment. Organisations participating in the initiative should report annually on their progress of promoting the GC principles. (Adams and Narayanan in Unerman et als. 2007: 80-81). Currently GC is the largest corporate citizenship and sustainability initiative in the world with more than 8 000 participants. Cargolux and SAS are both participants, but not Finnair. In Finland this initiative has not gained wide popularity as only 42 Finnish organisations have participated (Global Compact 2012).

2.4 Global Reporting Initiative

Global Reporting Initial (GRI) is a network-based, non-profit organisation, which provides guidance on organisational reporting. It was founded in Boston, USA in 1997 by Coalition for Environmentally Responsible Economies (CERES) and United Nations Environment Programme (UNEP) (Niskala et als. 2009: 93). The aim of GRI is to make CR reporting as common and comparable as financial reporting. Their mission is to "make sustainability reporting a standard practice for all organisations" (GRI 2012a).

The reporting guidance material of GRI is titled as "Sustainability Reporting Framework". In addition to reporting guidelines the framework includes areas such as technical protocol and instructions for developing a report. The guidelines, published in a form of a handbook are free of charge and publicly available on GRI webpage. Those include instructions on defining the relevant content and a form in which the report should be structured (GRI 2012b).

The first set of reporting guidelines were published in 2000. The third generation, G3, was first published in 2006 and updated version G3.1 in 2011. The update included reporting guidelines for matters such as local community impact and human rights. Nowadays GRI guidelines are the most widely used sustainability reporting guidance in the world (GRI 2012a).

Jussila (2011: 50) points out that even though guidelines can be used as help in development and management of corporate responsibility, the GRI guidelines are meant primarily for reporting purposes. Using them for defining the management practices of corporate responsibility might emphasise the role of reporting too much and draw attention to indicators that are interesting only in reporting point of view.

2.4.1 GRI reporting guidelines

GRI Sustainability Reporting Guidelines explain the principles for defining the report content and ensuring the report quality and also what matters should be included in the report. The four principles for defining the content and six principles for ensuring the quality aim to secure that the information included in the reports is reliable, easy to understand and reflect the significant economic, environmental and social impacts of the reporting company in order the stakeholders to make judgements of their relationship to the company (GRI 2011:6). These principles will be discussed in more detail in chapter 3.

GRI Guidelines define the content and the structure of CR report. The basic content is called Standard Disclosures, which is divided into three categories; Profile, Management Approach and Performance Indicators (GRI 2011: 20-24). The first section, profile is supposed to provide reader a comprehensive picture of the company and its activities, its commitments and stakeholder management among others. This section includes also information on the content and scope of the report itself. The second part of Standard Disclosure is Management Approach which includes the operational principles of CR, plans for actions and goals the company has set (GRI 2011: 21).

The last part includes performance indicators which are organised by economic, environmental and social categories. The latter is further divided into labour practices and decent work, human rights, society and product responsibility (GRI 2011: 25-39). Explanation for each indicator can be found in the Appendix 2. Each section has core and additional indicators. Core indicators are assumed to be useful for most of the companies and should always be included unless seen as not material based on the GRI reporting principles. Additional indicators should be included only if they are deemed material for the reporting company (Niskala et al. 2009: 139).

GRI publishes also sector supplements, sustainability indicators that are relevant only for certain industries. Currently those additional guidelines are available for example for media, non-governmental organisations and financial services. At the moment there is a pilot version of sector supplements available for logistics and transport industry, that is relevant mainly for the service providers but not for passenger transportation operators. Even though airport operators have their own additional guidance, there are no sector supplements for airlines (GRI 2012c).

Profile section of the report should always include “GRI content index”. It is presented in a form of a table that indicates in which page the standard disclosure item can be found. All information is not required to be included in the report, but it can be mentioned in the financial report or in the company webpage, which should then be referenced in the index table (GRI 2011:22). Purpose of this content index is to make it easier to find certain piece of information in the report and this way improve the comparability (Niskala et als. 2009: 132).

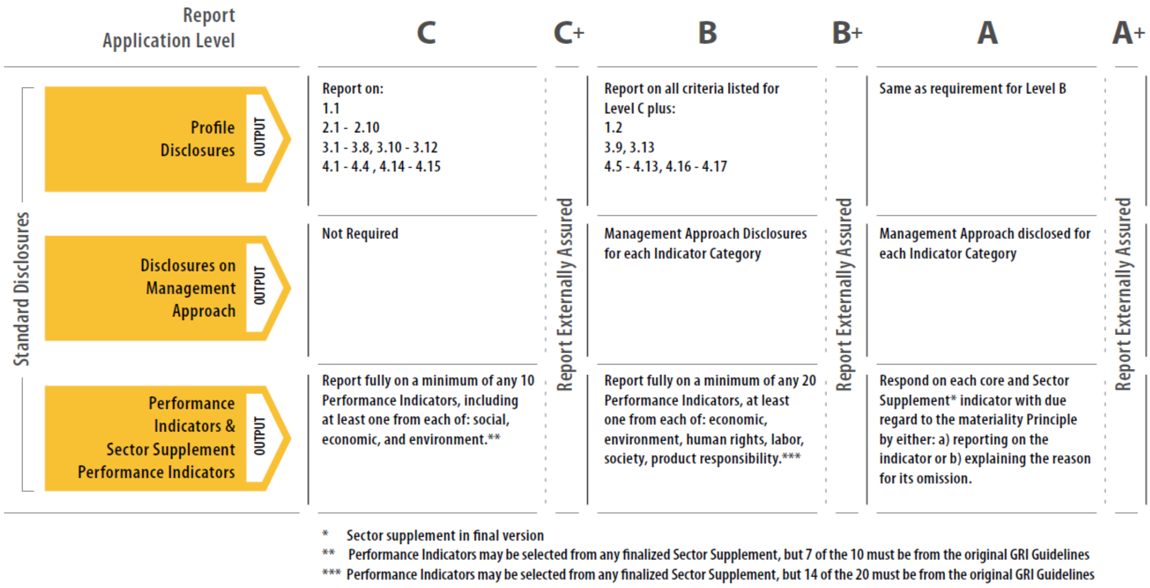

Figure 3. Application level system of GRI guidelines (GRI 2011: 55)

Report should indicate to what extent the GRI guidelines are used. This is done by using the GRI Application Level System which has three levels: A, B and C. Figure 3 illustrates the minimum requirements to achieve each level. In case that external assurer has proofed the level, then plus (+) sign is used to indicate that (Niskala et als: 124). Application level system aims to tell the reader how broadly the guidelines and other parts of the framework are used and also to provide the report makers a path for expanding the application of GRI reporting framework over time (GRI 2011: 54).

2.5 Benefits and weaknesses of CR reporting

Responsibility reports can be used for three purposes. Firstly, through these companies can demonstrate their responsibility work. Secondly, the report can be used for benchmarking: companies can compare their performance with laws, regulations and voluntary initiatives. Thirdly, comparing enables a company to show how their performance has developed over time (Dahlstrom 2011: 305). Jussila (2010:144) states that reporting is a built-in part of CR as the vital part of CR, the transparency, cannot be fulfilled unless the responsibility actions and achievements are reported.

According to Dahlstrom (2011: 305-306) the reporting companies gain numerous benefits. For example reporting companies have a broader awareness of environmental issues throughout the organisation. When the report is done on regular basis, it enables the company to compare progress against targets. According to GRI (2012d), CR reporting provides both internal and external benefits for companies. The internal benefits include for instance increased understanding of the risks and opportunities as well as streamlining the processes. The external benefits could be for example the improved reputation and brand loyalty. According to Ihamäki (2012) the main benefit of the CR reporting for Finnair is communicating the responsibility issues to the stakeholders. She also mentioned that reporting helps to structure the performance information and this way ease detecting the matters that require improvement.

CR reporting has faced also some criticism. Hohnen (2012: 9) raises the financial cost of doing a report as one disadvantage, which affects especially the small and medium sized companies. Another weakness of CR reporting is in the accuracy and reliability of the information provided in the report. Whereas financial information is almost always assured externally, according to KMPG's survey on corporate responsibility reporting only 46 per cent of the 250 largest companies globally use assurance in CR reporting. The lack of external assurance might signal stakeholders that sustainability reporting is not highly valued. KPMG anticipates a rise of the proportion of companies using external assurance in near future (KPMG 2011b: 28-30).

2.6 The future of CR reporting

Hohnen (2012: 12-13) provides five possible scenarios for the future of CR reporting. Firstly, he states that it might be that the CR reporting has already peaked and will become less popular in the future. This is mainly caused by the prolonged financial global economic recession, mixed messages of the real value of CR from the stakeholders and the confusion of different standards, which might cause the reporters to wait for new comprehensive standard. Secondly, Hohnen suggests that the new set of GRI guidelines might inspire more companies to start reporting. The third scenario would be the issue- or sector-based reporting, which would likely to be focusing on some environmental matter, such as carbon dioxide emissions. However, that might mean that the economic and social matters would be given less attention in the reports. Fourth scenario presented is the integrated reporting. As a fifth scenario Hohnen presents that CR reporting might become mandatory either on national or international level. He suggests "report or explain" approach, which would mean that companies would have to publicly explain why they have chosen not to report on corporate responsibility matters.

The suggestion by Hohnen that integrated reporting might become more popular is supported by the findings of a survey conducted by KPMG on corporate responsibility reporting. According to KPMG (2011: 23-25) the number of companies publishing integrated reports has risen during the past couple of years and it is anticipated to rise also in future. Ihamäki (2012) stated that the reason why Finnair is not currently doing integrated reports is the lack of guidance. However, the guidelines are currently being developed. In 2010 GRI co-founded the International Integrated Reporting Council (IIRC) which has representatives from both financial and sustainability sectors (GRI 2012e). Their aim is to develop a reporting framework that brings together financial, environmental, social and governance information. The framework which seeks to present the information in clear, consistent and comparable form is supposed to be ready by the end of 2013 (International Integrated Reporting Council 2012).

GRI is currently developing new set of guidelines called G4. At the moment there is only a draft version of G4 available but the full set of guidelines is going to the published in May 2013. Both reporters and the report users were given a chance to comment on the improvement proposals on the GRI webpage (GRI 2012f). The new guidelines aim to improve the guidance on identifying the material issues from the stakeholders' perspective, to improve the user-friendliness of the guidelines in a way that new reporters can easily understand them and to harmonise the guidelines with other internationally accepted reporting standards, such as UN Global Compact and ISO 26000. (GRI 2012g:4-7) G4 guidelines will probably exclude the application level system and replace this with criteria that must be met in order to claim that the report is made in accordance with G4 (GRI 2012g: 2). G4 will include some new performance indicators for instance related to supply chain and also content requirements of some indicators such as GHG emissions and anti-corruption, will be refined. At this stage G4 guidelines will not include guidance on integrated reporting (GRI 2012g: 1-4).

3 Research findings

This chapter starts with introduction of the reporting history of the case companies. After that the contents of the reports are analysed by comparing the reports to the principles for defining the report content. Next the quality of the reports analysed on the basis of principles for defining the report quality. These principles are part of the Global Reporting Initiative (GRI) guidelines. Then, the development of the reported information on economic, social and environmental issues required by the performance indicators is analysed. The case reports are compared with each other as well as with the GRI reporting guidelines. Also the interview of the Vice President on Sustainable Development of Finnair was used to provide enlightenment to matters that were left unanswered after the study of the reports. Finally, the chapter is concluded with summary of the findings from the reports.

3.1 Overview of the reporting history of the case companies

All case companies have been reporting on corporate responsibility in some form for several years. As the Figure 4 illustrates, SAS is the forerunner in non-financial reporting as it has started environmental reporting in 1996 and CR reporting in 2003. SAS adapted the GRI guidelines already in 2005, while the other case companies did not start CR reporting until 2008.

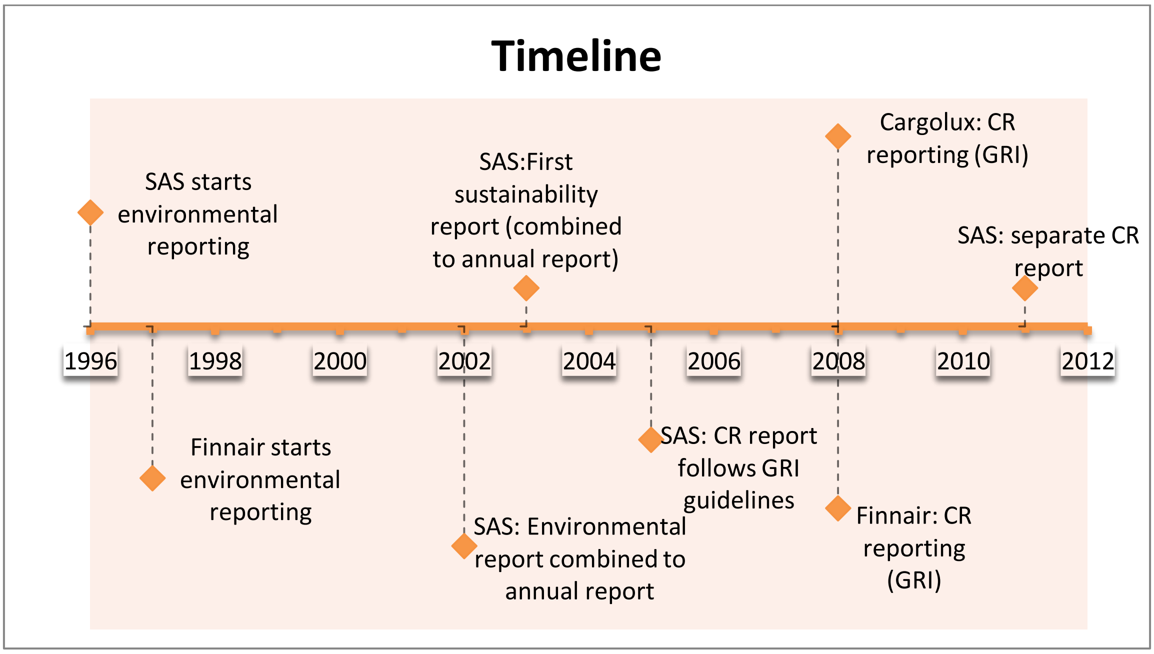

Figure 4. Timeline presenting the history of the CR reporting of the case companies

Cargolux has been reporting according to GRI guidelines for four years with sustainability report combined in the annual report. Annual report 2007 included very limited information on environmental management while the other aspects of CR were not mentioned at all. All the reports are graded as C+, which means that the reports meet the minimum requirements of the GRI guidelines and as the plus (+) sign indicates the reports are externally assured. The minimum reporting level requires inclusion of 10 performance indicators and also some standard disclosure items can be left out (see Figure 3 on page 19). The structure and narrative style of the reports remained the same throughout the study period. The matters presented in the sustainability section deal mainly with social and environmental issues, whereas the economic responsibility issues are given very little attention. Cargolux is also a member of UN Global Compact, which requires communication on the progress of application of the Global Compact principles (Cargolux 2012b:85).

The first report of Finnair included in this research is from 2007, which was titled as "Environmental report". As the name suggests it included merely environmental information, however some information on social and economic responsibility were included in the annual review. The first report on 2008 was graded as C+ and since then all the reports have been A+. The reports mainly follow the traditional division of CR into environmental, economic and social sections. Compared to the report of the other case companies, Finnair's reports are rather different as they provide a lot of articles and interviews of both internal and external specialists for example on matters such as communications and emissions reduction. The information required by the GRI performance indicators is clearly presented in the end of each section, which enables the reader to find specific information easily.

As mentioned earlier the companies in growing number are moving from separate CR reporting to integrated reporting by combining the CR information to the annual reports (KPMG 2011b: 3). SAS has been forerunner in this matter as since start of the CR reporting in 2003, the responsibility information has been one section in the annual report. However, the 2011 report was separated from the annual report. SAS has been reporting according to the application level A+ throughout the study period. As well as the other case companies also SAS has remained the similar structure in the reports throughout the study period and the matters are also divided according to the three sections of corporate responsibility: economic, social and environmental. SAS participates in EMAS and UN Global Compact which both require reporting on sustainability performance on regular basis (SAS 2012b:9).

3.2 Principles for defining the report content

When defining the content of the report, it should be ensured that it presents the performance of the company in balanced and reliable form. The purpose and experience of the company as well as the reasonable expectations of the stakeholders should guide what matters are reported (Niskala, Pajunen & Tarna-Mani 2009: 108-110). The GRI guidelines (2011:8) include four principles for defining the content of the report: materiality, stakeholder inclusiveness, sustainability context and completeness. In this section the case reports are analysed based on these principles.

The first principle for defining the report content is materiality. The topics in the reports should be chosen so that they reflect the company's significant economic, environmental and social impact and which could possibly affect the decisions of stakeholders (GRI 2011:8). However, some matters that are important for the readers of the report might not be material for the reporting company. In ideal case the report provides relevant information for both the user and the maker of the report (Niskala et als 2009: 110-111). If a matter is deemed immaterial it should be indicated in the content index. For example SAS has excluded the information on water discharges and justifies this by the following comment: "The SAS Group does not report on discharges to water due to the fact that the Group's normal operations does not cause any material discharges" (SAS 2012b:51).

Even if all the case companies are using the same guidelines as a basis to their reports, the matters covered in the reports vary. Finnair covers all the dimensions of responsibility rather well, whereas SAS focuses on environmental issues in their reporting, as that is what stakeholders have demanded (SAS 2012b: 56). Cargolux focuses mainly on carbon dioxide (CO^2) emissions and the labour conditions of their own employees.

The second principle is stakeholder inclusiveness. As the purpose of the CR reporting is to provide information for the stakeholders, therefore stakeholders should be able to influence the content of the report. Reports should include definition of the most important stakeholder groups and how the company engages in communication with them (Niskala et als 2009: 112). In the reports of Cargolux only the stakeholder groups are defined, which is the minimum level required by the GRI guidelines, whereas Finnair and SAS also explain how they engage in conversation with the stakeholders.

Overall, the reports tell very little on how the demands of stakeholders have influenced the report content. SAS mentions that "due to stakeholder demands, environmental responsibility is given the most space in SAS's sustainability report" (SAS 2012b: 56). Finnair and Cargolux have not stated how stakeholders have influenced their reporting practices. Ihamäki (2012) explained that Finnair has not received much feedback from the stakeholders concerning the report content. Mainly all the feedback has concerned the way of presenting the matters in the reports and the language used, which tends to be too technical.

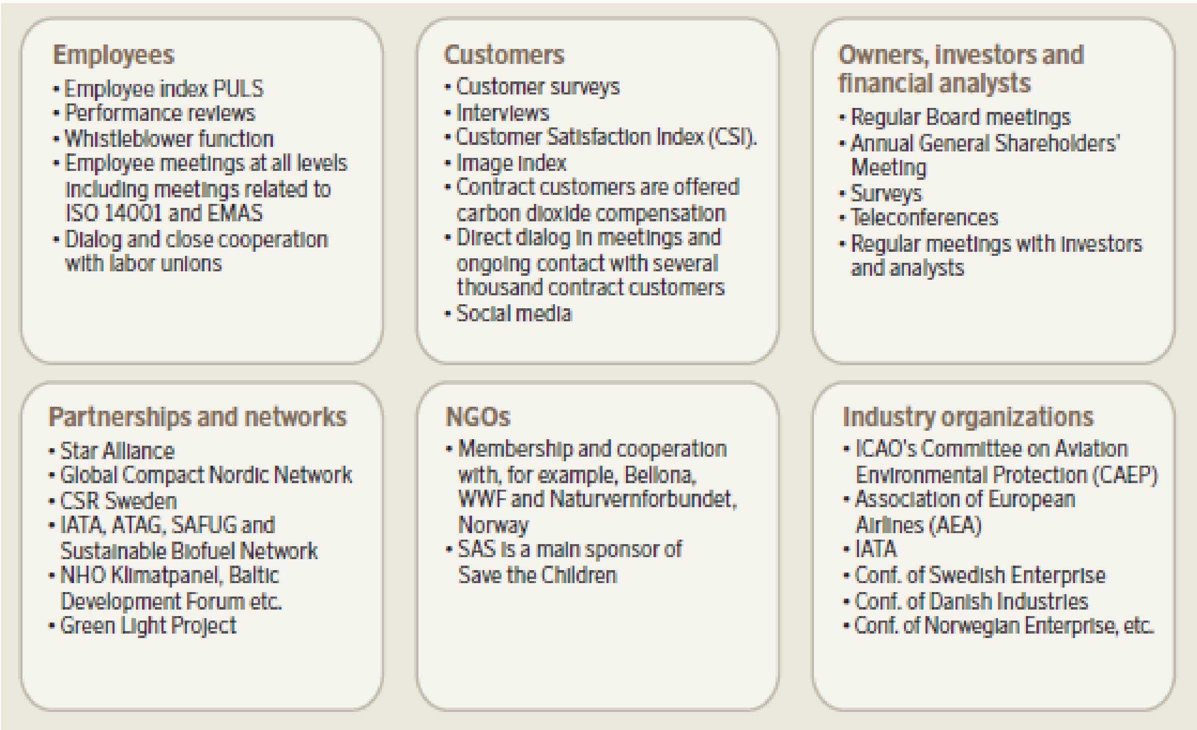

Figure 5. Example on stakeholder dialogues from 2010 sustainability report of SAS (SAS 2011: 117).

The Figure 5 provides an example from 2010 report of SAS on how the company presents the stakeholder dialogue. SAS explains the stakeholder dialogue by listing the ways to interact with different stakeholder groups. The full illustration in the report shows also six other stakeholder groups, which are authorities, suppliers, manufactures, mass media, schools and universities as well as airports and air traffic control management. As Finnair operates in very similar environment as SAS, their stakeholder groups are rather similar.

The third content principle is sustainability context which refers to the act of presenting the performance information in broader environmental, social and economic context. The performance of the company should be discussed in the context of the demands and the limits placed on environmental and social resources at the sectoral, local, regional or global level (GRI 2011: 11).

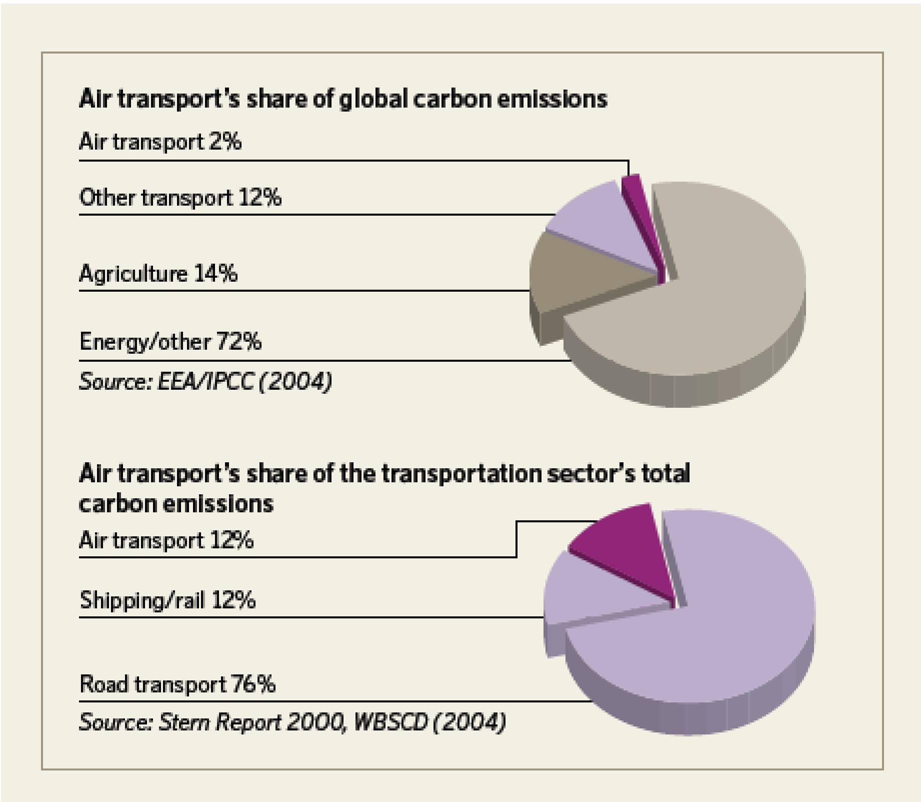

Figure 6. Example of presentation of the emissions of air transport in relation to other transport modes in sustainability report 2009 of SAS (SAS 2010: 104).

In the case reports this principle materialises well in environmental responsibility issues. The sectoral and regional agreements to reduce the emissions are discussed in great detail. SAS also presents the emissions caused also by other transport modes, which enables the reader to better assess the impact of the air transport. This presentation is illustrated in the Figure 6. GRI guidelines (2011: 11) suggests this principle could be demonstrated in social responsibility matters by presenting for instance the employee wages and social benefit levels in relation to the national average. However, this is not done in any of the reports.

The principle of completeness requires that the themes, indicators and boundary are defined in a way that they cover the significant economic, social and environmental impacts of the company. Also the historical performance and the future trends should be taken into consideration in the reporting (Niskala et als. 2009: 114-115). Whilst historical information going beyond the reporting period is left for less attention in the examined reports, the future trends and developments are dealt rather well, especially in environmental related issues. All of the case companies have discussed the European Union Emission Trading Scheme (EU ETS) in the early reports when the scheme was still under development.

This principle also aims to ensure that the report includes all entities which are under the command of the company, including also the subcontractors. The report should clearly state which subsidiaries are included and which are left out (GRI 2011: 12-13). As all of the case companies have several subsidiaries ranging from ground handling to travel agencies, not all of them are given the equal attention in the reports, but instead the reports focus mainly on the core business: flight operations. This matter has improved especially in the case of SAS. In the 2011 report SAS has discussed separately on each of their subsidiaries, such as ground handling and technical operations, and explained their environmental impacts (SAS 2012b: 28-35). Also in the Cargolux reports the scope of the report has extended towards the end of the study period and also their road feeder services are covered (Cargolux 2011: 34). In the first CR report of Finnair in 2008, it was not clearly stated that does the performance information in the report cover all units of the group. However, in the 2011 report it was clearly presented in a form of an table that which business units and subsidiaries are included in the report and an explanation was given why some were left out (Finnair 2012b: 47).

3.3 Principles for defining the report quality

The GRI guidelines require the report to be good quality on basis of six principles: balance, comparability, clarity, reliability, accuracy and timeliness (GRI 2011: 13). The aim of these principles is to guide the reporting company to produce accurate and trustworthy information which enables stakeholders to make reasonable assessments of the performance of the company (Niskala et als. 2009: 109). On this section the case reports are analysed in relation to these principles.

The first principle for defining quality of the report is balance, which refers to mentioning both negative and positive aspects in order to provide unbiased picture of the overall performance of the company (GRI 2011: 13). One example of negative issues mentioned in the reports is the redundancies. Due to the unstable economic situation companies have been forced to introduce cost-saving programmes which in many cases mean redundancies. Presentation of this information varies greatly in the reports. Cargolux (2010:40) tells about the bad economic situation but according to the company itself lay-offs have been avoided by voluntary part-time schemes. SAS admits that some redundancies cannot have been avoided explains briefly that these matters are primarily dealt in unit individual units or companies and the procedures follow the national laws (SAS 2009: 115). As for Finnair (2010: 21), these issues are reported in greater detail by explaining how the employees made redundant are offered support groups and guidance on employment opportunities.

The second principle, reliability, means that the information in the reports should be reliable in a way that original sources of the information can be traced and insider or outsider auditor can assure it (Niskala et als 2009: 133). External assurer might be expert or as in the case reports the auditor that verifies also the financial statements of the companies. GRI (2011: 41) defines the external assurance as ”activities designed to result in published conclusions on the quality of the report and the information contained within it ”. External assurance should be done by outsider, who has no relationship with the company nor is a stakeholder of it. Assurer should evaluate that how well the company has complied with the GRI reporting framework. The results should be presented in written form and also the assurer’s relation to the company should be stated (Niskala et als 2009: 133).

SAS Group has been using external assurance in the reports throughout the study period and Cargolux since the first CR report in 2008. Both of the companies have also included the assurance statement in the reports. In these cases the external assurer has for example interviewed the responsible management and examined internal documents to assess that the information in the report is complete, accurate and sufficient (SAS 2012b: 55; Cargolux 2012b:114). In the case of Finnair, external assurer is used only to verify that all the key indicators are included to meet certain application level (Finnair 2012b:84). According to Ihamäki (2012) the reports of Finnair are not externally verified as the company does not see a need for it, due to the fact that the catering operations are ISO 14001 certified and Technical Services operate under the environmental permission from the local authorities, which both regulate strictly the operations of these units. 95 per cent of the emissions produced by Finnair arise from flying and the calculations of the amount of these emissions are externally verified by PricewaterhouseCoopers (PwC) as it is required by the European Union Emission trading system (EU ETS). Due to these facts Finnair feels that it is unnecessary to "double-check" that information. Nonetheless, Ihamäki points out that validity of the content is examined to some extent in the level application verification process which is done by PwC. However, in the reports this justification for the lack of external verification is not provided.

The third principle for defining the quality is comparability. The information in the reports should be presented in a way that it enables the stakeholders to analyse the performance of the company over time as well as compare the company to the other reporting companies (Niskala et als. 2009: 119). When the reports are constructed in the same way and same measurement practices are used, it is easy to compare the performance of the company historically and detect improvements as well as shortcomings. Other than the layout, the method of calculating the data should remain same. If there are significant changes in the report compared to the previous year concerning for example scope, boundary, design or the information covered, these changes should be clearly stated and explained (GRI 2011: 14).

In the reports a great deal of statistics are presented concerning for example the emissions or waste. Especially in the earlier reports studied this information is not presented in the relation to the figures of the previous years, which does not enable an uninitiated reader to draw a comprehensive picture on the development of the company in that matter. GRI guidelines do not set any specific instructions on how some, especially quantitative information, should be presented and in consequence these matters differ greatly in report.

Another matter to improve the comparability is the GRI content index table which is required part of the report. According to GRI Guidelines (2011: 40), stakeholders should be able to access all report information from one location, which usually is the GRI content index. On a good content index, it is clearly stated if the indicator in question is included entirely or only partly. If some indicator is not reported, a justification for that should be given. Cargolux and Finnair have included the content index as part of the report whereas prior to the most recent report SAS published GRI content index as separate document which could be found on their webpage. In the GRI content index Cargolux provides a number of the page where the information can be found and if some matter is not provided it is justified with by a comment "Not required on C-level" (see e.g Cargolux 2012:114). SAS and Finnair provide also a brief comment on why some matter is excluded or reported only partially. SAS and Finnair have not included all information in the CR report and in these cases reference to page in annual report or link to webpage are provided.

Clarity, the fourth quality principle, requires that the report is easily available and the content is presented in understandable form. As the corporate responsibility is rather new phenomenon, it cannot be expected that the reader of the report has knowledge of all concepts and definitions related to CR and therefore sufficient amount of background information should be provided (Niskala et als. 2009: 117). All the reports examined in this study are easily available on the companies' webpages, but presentation of the information on clear language still has some room for improvement. According to Ihamäki (2012), the feedback that is received from the reports deals mainly with presenting the data clearly and using understandable language, as it tends often to be too technical. All of the case reports use some terms which are characteristic especially for airlines, for example the revenue and emissions are presented in relation to "available seat kilometres" or "revenue passenger kilometres". These terms related exclusively to aviation industry might be unfamiliar for uninitiated reader and therefore the terms should be explained and the detailed technical jargon avoided. However, the explanation of the technical terms is not provided in reports. The exception is SAS, which provides a glossary in the end of the reports in which the terms used are explained (see e.g SAS 2010: 124-125)

Accuracy is the fifth quality principle, which aims to ensure that the information is accurate and detailed enough. In the case of qualitative information the accuracy principle means clear, balanced and detailed presentation of the performance information. Especially for quantitative information the report should include the calculations methods by which the information was produced. This matter has a great variation between the case companies. Whereas Cargolux does not tell anything of their calculation methods, SAS provides this information in separate pdf-sheet, which can be found on their sustainability webpage. For example SAS tells how the carbon dioxide emissions are calculated. SAS also explains how these quality principles are materialised in the reports.

The last quality principle is timeliness, which refers to the aims to secure that the reports are made in regular schedule and the reported information is up-to-date which enables the stakeholders to make informed decisions (Niskala et als. 2009: 118). All of the case reports are done in regular basis and published annually in conjunction of the financial report. However, whether the information is up-to-date is hard to evaluate.

3.4 Performance indicators

This section presents the information that reports include in the performance indicators. GRI guidelines divide the performance indicators into core and additional indicators. The core indicators are presumed to be material for the most of the reporting organisations and relevant for most of the stakeholder groups. These should be included always unless those are deemed not relevant according to the materiality principle (Niskala et als. 2009: 139). The additional indicators present emerging practice and are material for some organisations but not for the majority (GRI 2011: 44). According to the GRI (2011: 24-25), all information enclosed in the performance indicators should be presented with the goals on the aspects related to the topic, comparison of the actual performance against goals and evaluation of risks and opportunities. Also the internal policies related to the matters should be explained.

The development of each performance indicator group is illustrated in graphs. The graphs were created by calculating the amount of indicators included in each report completely or partially according to the GRI content index tables in the reports. The figures include information from years 2008-2011, as the information from year 2007 is not available due to the fact that Cargolux and Finnair did not yet report according to GRI at that time. However, the 2007 report of SAS followed the GRI guidelines, but the content index is unavailable for that report. It should be noted that the amount of indicators tells very little on the quality of the reporting, but it helps to understand to what extent the matters are dealt in the reports. The information required for each performance indicator is discussed here only briefly, but the explanation of each indicator can be found in the Appendix 2.

3.4.1 Economic performance

The economic dimension of corporate responsibility concerns the company's impact on economic welfare of stakeholders as well as the impact at economic systems on local, national and global levels (Niskala et al 2009:140). Companies usually report financial performance in financial reports, but according to GRI (2011:25) "what is often reported less, and is frequently desired by users of sustainability reports, is the organization's contribution to the sustainability of a larger economic system". The economic performance indicators illustrate mainly two matters: the flow of capital among different stakeholders and main economic impacts of the company through the society (GRI 2011: 25). There are altogether nine indicators related to economic performance, of which seven are core indicators and two are additional.

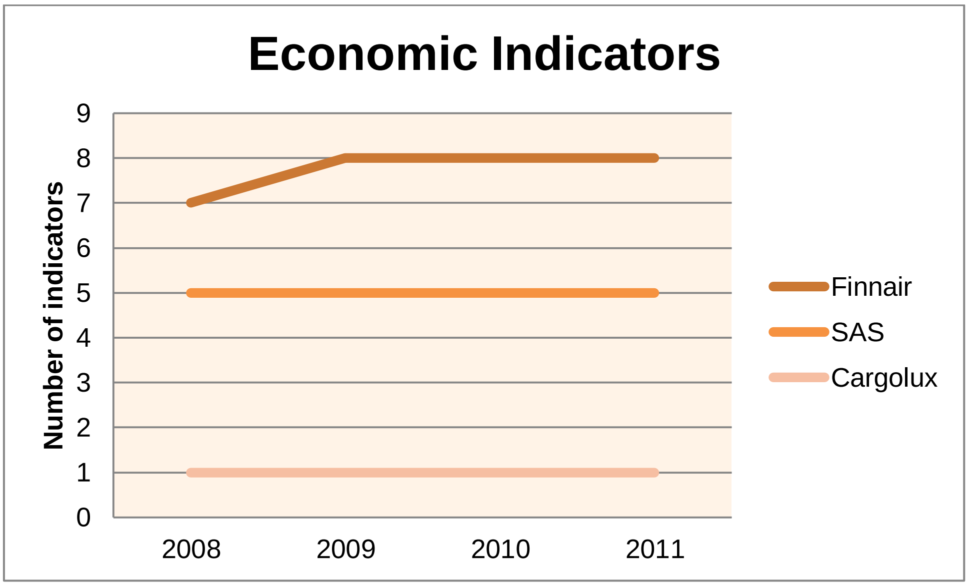

Figure 7. The amount of economic performance indicators.

As can be seen from the figure 7 illustrating the economic performance indicators in the reports 2008-2011, the amount of indicators has remained effectively unchanged. The only alteration is Finnair, which added one more indicator in their 2009 report.

Cargolux includes only one economic performance indicator which is the minimum amount. The indicator requires information on "direct economic value generated and distributed" (GRI 2011: 26). Reports of Cargolux indicate in GRI table indexes that the economic performance information can be found in the "Consolidated financial information" -section of the annual report. That section presents the financial information in figures, but no explanation is given how the company contributes to sustainability in larger economic system (see e.g Cargolux 2011: 48-80).

Whereas Cargolux includes only the minimum information, Finnair offers the most comprehensive information on economic issues compared to the other case companies. The economic responsibility section in the first CR report focused on Finnair's successful Asia strategy which according to a recent survey had benefited the whole Finnish society by generating work and corresponding to a growth of Finland's GDP. The section included also the benefits of airline alliances and the emission trading scheme that was under preparation at the time. The information required by the performance indicators was very limited and did not include any historical information. However it was indicated the more information can be found in the company's financial report. In the 2009 report explained in more detail how airlines in general contribute to better economy and also the economic effects of climate change were dealt in more detail. It was acknowledged that in order to improve the profitability of the business, the labour costs need to be reduced. Also the negative effects of tourism, such as grey economy and drug trade, were mentioned. The next two reports covered virtually the same information as the previous ones with only slight changes as for example the attention given to the Asia strategy was reduced. In 2011 report, the current unstable economic situation and the consequences were given more space and the matters required by the indicators were explained more broadly. The main improvement during the study period was that the amount of quantitative information increased and these were presented in relation to figures from several previous years.

In the amount of indicators SAS settles in the between the others with five indicators, which is illustrated in the Figure 7. The reported matters which are required by GRI guidelines deal with economic value generated and distributed and the indirect economic impacts. In 2007 report SAS focuses on explaining the costs and investments related especially on the environmental matters as well as the efforts to reduce the fuel costs. The report describes also how air transport benefits the development of economies in the Scandinavian countries for example by enabling smooth business travel. Also the amount of jobs created directly and indirectly was discusses as well as the contribution to the GDP of the three Scandinavian countries. The same information was reported also in the following years with only slight alteration. For example the 2008 report discussed also the savings in labour costs achieved by salary reductions and other productivity improvements. The savings on costs were described also in the reports in the later reports. The improvements in the information of economic performance were mainly the presentation, as since 2009 report more quantitative data was presented in form of a table.

Finnair and SAS have both managed to some extent to include information on the companies' impact on economic systems. For example Finnair (2010:14) states in 2009 report that: "An airline creates jobs directly in its own operations. Furthermore, it also created jobs indirectly in air transport infrastructure, subcontractors and in various tourism operators. In this way, the purchasing power generated by the company is spread widely throughout society and acts a distributor of wellbeing in the national economy”. Similar matters were brought up also by SAS. Both companies also included information on how much in percentage terms they have contributed to the GDP in their operation countries. However, Cargolux did not discuss the economic impacts of their operations in broader context at all.

3.4.2 Social performance

Performance indicators related to social aspects of CR include matters on four topics: labour practices and decent work, human rights, society and product responsibility (GRI 2011: 29) The Figure 8 shows that the change in for each company is not substantial, but there is a great difference in the amount of indicators between the companies.

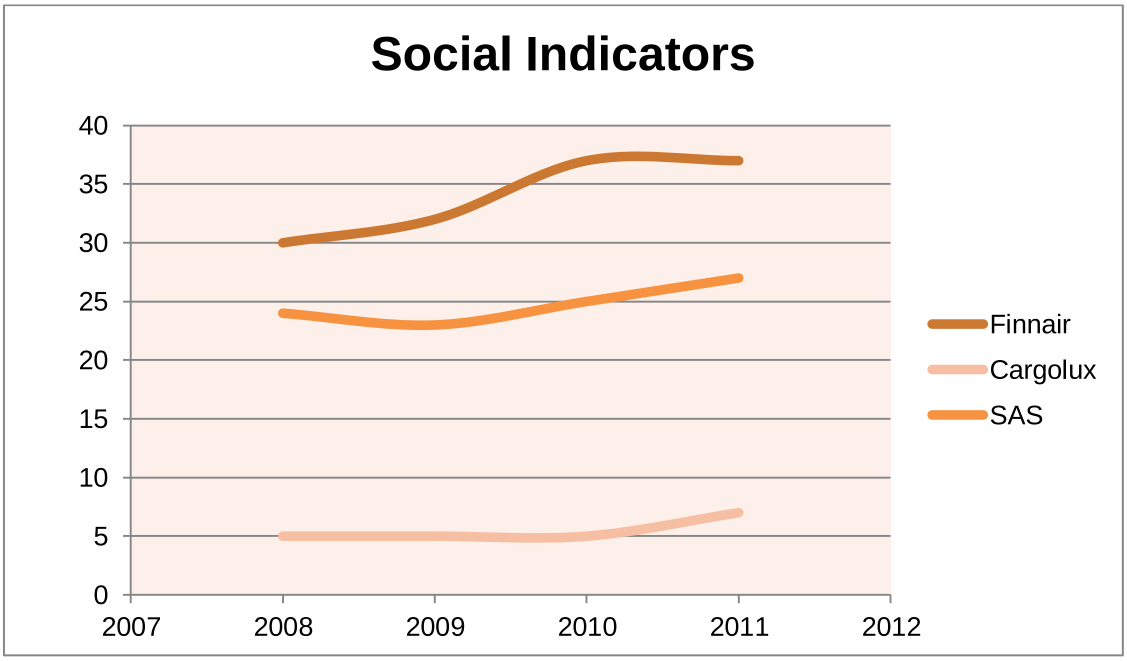

Figure 8. The amount of social performance indicators

The lowest amount of social indicators was reported by Cargolux which included five indicators during the years 2008 to 2010. These indicators discussed only the labour practices, but as illustrated in the figure 8, the latest report added also two more indicators, which dealt with matters related to health and safety topics covered in agreements with trade unions and hours of employee training concerning policies on human rights (Cargolux 2012b: 103). The matters included in all of the reports throughout the study period cover issues of staff turnover, training and accidents.

Cargolux has also included a lot of information on the charitable activities, such as supporting local non-governmental organisations (NGOs) and preservation of local environment as well as sponsorship of cultural and sports sectors (see e.g Cargolux 2012b: 101). Overall, the amount of information on social performance had increased greatly over the study period even though the amount of indicators has not increased significantly. However the matter in which Cargolux performs better than the other case companies, is presenting some figures, for instance the work-related accident statistics, in relation to the national average.

Alongside the environmental report 2007 Finnair published also annual review and financial report, but neither of these brought up the matters related directly to social responsibility. The social responsibility section in the first CR report 2008 focused on the labour practices and work conditions by including information on work safety, occupational health and work satisfaction. These were included in the reports throughout the study period as well as the matters related to responsible tourism. As well as Cargolux, all reports of Finnair included information on the charity work, for example participation in UNICEF initiatives and the protection of the Baltic Sea (see e.g. Finnair 2009: 26-27). In 2009 Finnair as well as many other companies globally faced the pressure to reduce costs due to the unstable economic situation. Finnair reported on matters how the employees made redundant were offered support and help to detect new career opportunities.

As illustrated in the figure 8, in the 2010 report the amount of social indicators reported by Finnair rose slightly totalling in 37 indicators. More issues related to human rights were reported as for instance the risks for incidents of using child labour and forced labour were discussed, even though the company does not see these as possible threats. Also more information was provided on the product responsibility for example by describing the results of customer satisfaction survey. In 2011 the reported matters remained rather unchanged compared to the previous report, but there was a visible increase in the information provided on the humanitarian work and charitable projects. Overall, the comparability of the social performance improved towards the end of the study period as there was more historical information available and also the amount of qualitative information increased greatly.

In the 2011 report SAS states that “The SAS Group’s social responsibility comprises its own employees and the environment that is dependent on and impacted by SAS operations in a number of countries, mainly in the Nordic region” (SAS 2012b: 37). As said this, the matters included in the reports throughout the study period include labour practices and decent work focusing on work satisfaction, working environment, human resource development and the cooperation with labour organisations. Whereas Cargolux and Finnair provide a lot of information on the charity work, SAS deals these matters very briefly. Throughout the study period reports of SAS dedicate a lot of space for discussing about the strikes and other disputes following the contract negotiations. The redundancies resulting from cost saving programmes were mentioned briefly first time in the 2008 report, but unlike in the reports of Finnair, the actions on the employee level were not discussed. Issues related to human rights were dealt only by mentioning that SAS has committed to these issues by joining the UN Global Combat which defends human rights and combats corruption, forced labour and discrimination. UN Global Combat requires reporting on the commitment of its objectives, but the CR reports do not indicate where this information could be found.

3.4.3 Environmental performance

Environmental performance indicators include matters on materials, energy, water, biodiversity, emissions, effluents and waste, products and services, compliance with regulations, transport and overall investment and expenditures on environmental protection (GRI 2011:27). As GRI does not have sector supplements for airlines, reporting on noise caused by airplanes in landing and taking-off is not required to be reported. However, all of the case companies have included information on noise levels and efforts to reduce it.

Aviation industry, as well as all other industries globally, is facing the challenge to reduce environmental impacts of their operations. This matter is also acknowledged by International Air Transportation Association (IATA) (2009: 1-8), which has committed to reduce the emissions arising from flying by 50 percent from the emission level in 2005 by 2050. IATA promotes also building of zero-emissions commercial aircrafts within the next 50 years. Also European Union has raised the issue of emission reductions. One mean to tackle this is the emission trading scheme (EU ETS) in which companies receive emission allowances which can be bought or sold. The number of allowances will be reduced over time. Airlines joined the EU ETS in the beginning of year 2012 (European Commission 2012).

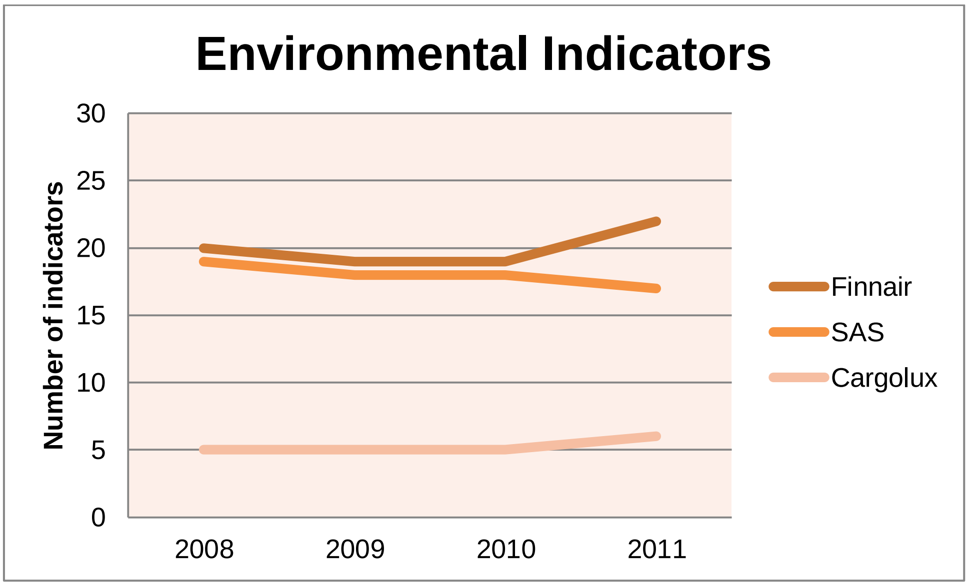

Figure 9. The amount of environmental performance indicators

The Figure 9 illustrates the amount of environmental indicators in the reports during the period from 2008 to 2011. As the figure shows the change for each company is not significant, but during the recent years Finnair has increased the amount of indicators, while SAS has reduced them. As can clearly be seen Cargolux includes considerable lower amount of environmental indicators.

As for Cargolux, their annual report 2007 did not provide hardly any environmental information. However, the company stated that they are committed to environmentally conscious operations as they have signed the UN Global Compact and initiated the ISO 14001 standard certification. (Cargolux 2008: 9; 35). Cargolux started their environmental reporting in 2008 with five indicators. These matters dealt with greenhouse gas (GHG) emissions, waste and energy consumption (Cargolux 2009:46). Even if the report failed to show the matters in broader context, it explained how the greater fuel efficiency and the resulting emission reduction can be achieved. During the study period the same indicators remained in the reports, with the exception of the 2011 report which included one additional indicators on significant spills (Cargolux 2012b:109). Even though the issues were reported remained same, the amount of qualitative information extended significantly. Towards the end of the study period, more information was provided on the current environmental issues in the aviation industry such as the development of alternative fuels and the forthcoming emissions trading scheme.

Finnair published environmental report in 2007, which included already some matters that are required by the GRI guidelines, such as figures of GHG emissions and recycled waste. The report included also information on the company's aims to reduce the environmental loading and the emission reduction targets by EU and IATA (Finnair 2008:3, 10-13). However, the CR report 2008 provided clearly more information on environmental performance and amount of environmental indicators included was already high as the company included altogether 20 indicators. Finnair reported on matters such as materials used, energy consumption, water withdrawal, recycled waste, and GHG emissions. In the articles Finnair included matters on the emissions caused by flying, effect of modern fleet of airplanes on emissions, lowering of energy consumption, waste reduction and sustainable tourism. Unlike other case companies Finnair dared to include also dissenting view on climate warming as it stated that according to recent researches nitrogen dioxide emissions actually might not cause warming, but in the contrary, have a cooling effect (2009: 33-34). However, in the latest report this matter was not mentioned anymore. Since 2010 report also real life cases explaining the efforts taken in daily operations in order to reduce the burden on environment, such as adapting the Green Office principle and reducing the paper usage. In the articles Finnair discussed the big picture of environmental impacts of aviation and ways to reduce it, such as the EU ETS and use of alternative fuels. During the study period the reported quantitative information became more detailed and more information was presented in relation to previous years' figures.

In 2007 report SAS (2008: 96) mentions that "due to growing interest on climate issues" the report focuses mainly on the operations to reduce GHG emissions, especially CO_2. SAS tells broadly on current incidents in the industry, for example the IATA's goal for zero emissions and the European emission trading scheme under preparation. The latter as well as environmental taxes are criticized, as according to SAS they cause competitive advantage for airlines based outside Europe and this way is unfavourable for European airlines. SAS sets out short term goals related to environmental performance such as the target of being the most environmental-conscious airline in Europe by 2011. Also the in-company environmental policies are explained as well as matters of how to reduce the environmental impact by new technology, infrastructure, operational measures and economic instruments. However, very little is actually told on the actual performance during the reporting year. The relevant figures illustrating the GHG emissions and waste are presented, but those are not explained. In the following reports these same issues were covered, however the means to achieve the goals set out in 2007 were discussed in more detail and the current achievements were also explained. SAS (2010: 104) pointed out in the 2009 report that "So far, the climate impact of air transport has concentrated on CO_2 emissions. Now that emissions trading is being introduced, the focus is likely to be on other environmental impacts, primarily NO_x and contrails". However, the report of 2010 did not include any additional information on nitrogen oxide ($NO_{x)}$ emissions. The environmental issues reported remained rather unchanged until the report 2011, which included significantly more quantitative information on emissions, energy consumption and waste management. This information was presented in operation units level as well as in operating country level.

3.5 Discussion on the findings

During the past five years companies have taken a great leap to CR reporting. In 2007, which was the first reporting year covered in the study, Cargolux did not virtually report on any dimensions of CR and Finnair reported only on environmental issues. They both started CR reporting in 2008 and followed the GRI reporting guidelines already in the first reports. However, SAS had a long history of CR reporting and therefore their reports did not show such significant development.

Regarding the information on economic performance, there was a lot of variation between the companies. Whereas SAS focused on explaining the economic consequences of the environmental actions they have taken, Carlolux did tell very little on their economic impacts on surrounding society. Towards the end of the study period SAS and Finnair told more on how they have influenced the economies of their home countries. However, these matters focused on the positive matters. Overall, it could be said that there is a room for improvement in presenting the economic responsibility issues in greater extent.

In social responsibility matters all companies reported on matters related to the wellbeing and safety of their employees throughout the study period. However, in the most recent reports also other aspects of social responsibility have been given more attention and all companies have reported also on matters related to human rights. The reporting of social responsibility is clearly going towards better directions as the impacts of the companies are presented in broader context.

Albeit all of the case companies point out that according to the present knowledge aviation causes only two to three percent of manmade CO_2 emissions, still the most attention in the environmental reporting is given for these emissions. However this concentration can be justified as flying causes about 95 percent of emissions of the airlines (Finnair 2012b: 46). Especially the means to reduce these emissions is discussed in great detail in the reports, while in general the actual performance on achieving the reduction goals is given less attention. Whereas SAS focuses on explaining the environmental policies and goals, Finnair and Cargolux present more of the actual performance during the reporting year. However, SAS has clearly taken already a step to same direction in their latest report. Whereas in the reported information used to be more marketing talk explaining the actions to reduce the environmental impacts of flying and other operations, in the recent years the reporting has focused more on describing the actual environmental performance during the reporting period.

Even though the principles for defining the report content and quality are followed rather well, there is still some room for improvement. Companies do not explain much why they have chosen to report on certain matters and why some matters are not reported. This principle of materiality is explained in the reports of SAS by stating that stakeholders have wished them to report mainly on environmental issues, but others do not provide this explanation. Both SAS and Finnair explain why they have excluded some performance indicators in the reports, while Cargolux does not provide any explanation. It should be stated clearly in the reports why some matters are included or left out.

Overall, the comparability of the reports of each company improved towards the end of the study period. This was mainly due to the fact that as companies had a longer reporting history, they had also more historical information available, which could be presented in relation to the current performance. This was especially the case with quantitative information, such as figures related to emissions, materials used and so on. Also the comparability between the companies improved, as the GRI content indexes became more specific towards the end of the study period.

Even though all of the case companies used the same reporting guidelines, each company had their own way of presenting the information and emphasizing slightly different matters. It could be said that the GRI guidelines set a good basis for reporting, but still leave enough latitude for companies to emphasise matters that they seem to be the most relevant. However, if companies would report all same matters in similar format, it would be a great benefit when comparing reports of different companies with each other.

Another finding was that the long history of reporting does not necessarily guarantee excellent and comprehensive report. For instance SAS, which has a long history of CR reporting, does not report on all of the core performance indicators, even though according to the GRI guidelines these are matters that are relevant for all companies, no matter in which field of business they operate. One weakness of the GRI guidelines which was detected in the study was that,the guidelines do not require continuous improvement of the reporting. For instance, Cargolux has reported according to application level C throughout the study period and included only the minimum amount of performance indicators. However, the new set of guidelines G4 which is being developed by GRI, is hopefully going to change the level application system to a better direction.

4 Conclusion

This thesis studied the corporate responsibility (CR) reporting by using multiple case study design. The case companies were three European airlines, whose reports were analysed by using the reporting guidelines of Global Reporting Initiative (GRI) as underlying theory and comparison material. The reports of the case companies were compared also with each other. The aim was to discover how the reports have developed during the past five year period and how well the reports match the GRI reporting guidelines.

The research of secondary sources found out that the CR reporting has established its place as one of the business imperatives of the companies and the number of reporting companies has been growing constantly. However, there are some matters that prevent some companies from reporting, such as the question of the real value gained by reporting. According to some studies, the number of reporting companies is likely to continue increasing, but on the other hand, there have also been predictions that the glory days of CR reporting are already gone.

The study of the reports of the case companies showed that GRI guidelines, which is currently the most commonly used reporting standard globally, provides a good frame for the reporting, but does not restrict the reporting too much. Thus, each company can structure their reports in their own style and emphasise matters that they seem most relevant for the report users.

Even though a great development over the past five years in the reports of the case companies has happened, there is still a room for improvement. In the studied reports the most space is given for environmental issues, as especially emissions and climate change are discussed in great detail. During the couple of last years the reporting of social responsibility has increased and it is discussed more broadly as for example human rights issues are now reported. As the three dimensions of CR are seen as equally important, companies should aim to provide information on all of these areas.

During the research, it was noticed that the amount of information in the reports included in the reports was large. Focusing only on certain aspect of responsibility, for example social issues would have managed to make the research more in-depth.

However, one aim of the research was to see if all the aspects are given equal amount of attention in the reports and examining this would have been impossible if the research would have focuses only on one dimension of responsibility.

Interesting topic for further study would be conducting similar study with greater amount of case companies, as this way it could be possible to draw some comprehensive conclusions of the development and current state of reporting in the whole industry. Including reports of companies from different geographical regions such Europe and Asia would also make it possible to see if there are differences in matters that are emphasised in the reports in different regions.

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Appendix 1: Interview questions

Corporate responsibility reporting

- What are the main benefits of CR reporting?
- What are the disadvantages?
- How has CR reporting developed the operations of Finnair over the years?
- At the moment CR reporting is mainly voluntary. Do you think it should be compulsory for all companies?
- Do you use reports of competitors for comparison or benchmarking purposes?

GRI guidelines

- What are the main benefits provided by GRI –guidelines?
- What are the disadvanteges?
- Do you think that GRI Guidelines should have additional indicators (sector supplements) for the airline industry?

Requirements of stakeholders

- What kind of demands stakeholders have for your reports?
- How have their wishes and demands affected the information enclosed in reports and the way of presenting it?

Reports of Finnair

- On the latest CR report by Finnair, it is said that you have moved closer to integrating the process of financial and sustainability reporting. Does this mean that the next step is one report that combines both financial and sustainability performance information?
- At the moment the reports of Finnair are not externally assured. Why is that and are you planning to start assuring them externally?

Appendix 2: Economic Performance Indicators by Global Reporting Initiative

Economic Performance Indicators

ASPECT: ECONOMIC PERFORMANCE

CORE	**EC1**	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
CORE	**EC2**	Financial implications and other risks and opportunities for the organization's activities due to climate change.
CORE	**EC3**	Coverage of the organization's defined benefit plan obligations.
CORE	**EC4**	Significant financial assistance received from government.

ASPECT: MARKET PRESENCE

ADD	**EC5**	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.
CORE	**EC6**	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
CORE	**EC7**	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.

ASPECT: INDIRECT ECONOMIC IMPACTS

CORE	**EC8**	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
ADD	**EC9**	Understanding and describing significant indirect economic impacts, including the extent of impacts.

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Appendix 2: Environmental Performance Indicators by Global Reporting Initiative

Environmental Performance Indicators

ASPECT: MATERIALS

- CORE **EN1** Materials used by weight or volume.
- CORE **EN2** Percentage of materials used that are recycled input materials.

ASPECT: ENERGY

- CORE **EN3** Direct energy consumption by primary energy source.
- CORE **EN4** Indirect energy consumption by primary source.
- ADD **EN5** Energy saved due to conservation and efficiency improvements.
- ADD **EN6** Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
- ADD **EN7** Initiatives to reduce indirect energy consumption and reductions achieved.

ASPECT: WATER

- CORE **EN8** Total water withdrawal by source.
- ADD **EN9** Water sources significantly affected by withdrawal of water.
- ADD **EN10** Percentage and total volume of water recycled and reused.

ASPECT: BIODIVERSITY

- CORE **EN11** Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
- CORE **EN12** Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
- ADD **EN13** Habitats protected or restored.
- ADD **EN14** Strategies, current actions, and future plans for managing impacts on biodiversity.
- ADD **EN15** Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.

ASPECT: EMISSIONS, EFFLUENTS, AND WASTE

- CORE **EN16** Total direct and indirect greenhouse gas emissions by weight.
- CORE **EN17** Other relevant indirect greenhouse gas emissions by weight.
- ADD **EN18** Initiatives to reduce greenhouse gas emissions and reductions achieved.
- CORE **EN19** Emissions of ozone-depleting substances by weight.
- CORE **EN20** NO, SO, and other significant air emissions by type and weight.
- CORE **EN21** Total water discharge by quality and destination.
- CORE **EN22** Total weight of waste by type and disposal method.
- CORE **EN23** Total number and volume of significant spills.
- ADD **EN24** Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.
- ADD **EN25** Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.

Appendix 2: Environmental Performance Indicators by Global Reporting Initiative (continued)

ASPECT: PRODUCTS AND SERVICES

CORE **EN26** Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

CORE **EN27** Percentage of products sold and their packaging materials that are reclaimed by category.

ASPECT: COMPLIANCE

CORE **EN28** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

ASPECT: TRANSPORT

ADD **EN29** Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

ASPECT: OVERALL

ADD **EN30** Total environmental protection expenditures and investments by type.

Appendix 2: Social Performance Indicators by Global Reporting Initiative (continued)

Labor Practices and Decent Work Performance Indicators

ASPECT: EMPLOYMENT

CORE **LA1** Total workforce by employment type, employment contract, and region, broken down by gender.

CORE **LA2** Total number and rate of new employee hires and employee turnover by age group, gender, and region.

ADD **LA3** Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

CORE **LA15** Return to work and retention rates after parental leave, by gender.

ASPECT: LABOR/MANAGEMENT RELATIONS

CORE **LA4** Percentage of employees covered by collective bargaining agreements.

CORE **LA5** Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

ADD **LA6** Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.

CORE **LA7** Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.

CORE **LA8** Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.

ADD **LA9** Health and safety topics covered in formal agreements with trade unions.

ASPECT: TRAINING AND EDUCATION

CORE **LA10** Average hours of training per year per employee by gender, and by employee category.

ADD **LA11** Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

ADD **LA12** Percentage of employees receiving regular performance and career development reviews, by gender.

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

CORE **LA13** Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.

ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN

CORE **LA14** Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.

Appendix 2: Social Performance Indicators by Global Reporting Initiative (continued)

Human Rights Performance Indicators

ASPECT: INVESTMENT AND PROCUREMENT PRACTICES

CORE **HR1** Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.

CORE **HR2** Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.

CORE **HR3** Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

ASPECT: NON-DISCRIMINATION

CORE **HR4** Total number of incidents of discrimination and corrective actions taken.

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

CORE **HR5** Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.

ASPECT: CHILD LABOR

CORE **HR6** Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.

ASPECT: FORCED AND COMPULSORY LABOR

CORE **HR7** Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.

ASPECT: SECURITY PRACTICES

ADD **HR8** Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.

Society Performance Indicators

ASPECT: LOCAL COMMUNITIES

CORE **SO1** Percentage of operations with implemented local community engagement, impact assessments, and development programs.

CORE **SO9** Operations with significant potential or actual negative impacts on local communities.

CORE **SO10** Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.

ASPECT: CORRUPTION

CORE **SO2** Percentage and total number of business units analyzed for risks related to corruption.

CORE **SO3** Percentage of employees trained in organization's anti-corruption policies and procedures.

CORE **SO4** Actions taken in response to incidents of corruption.

ASPECT: PUBLIC POLICY

CORE **SO5** Public policy positions and participation in public policy development and lobbying.

ADD **SO6** Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.

ASPECT: ANTI-COMPETITIVE BEHAVIOR

ADD **SO7** Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.

ASPECT: COMPLIANCE

CORE **SO8** Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

Appendix 2: Social Performance Indicators by Global Reporting Initiative (continued)

Product Responsibility Performance Indicators

ASPECT: CUSTOMER HEALTH AND SAFETY

CORE	**PR1**	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.
ADD	**PR2**	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.

ASPECT: PRODUCT AND SERVICE LABELING

CORE	**PR3**	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.
ADD	**PR4**	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.
ADD	**PR5**	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

ASPECT: MARKETING COMMUNICATIONS

CORE	**PR6**	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
ADD	**PR7**	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.

ASPECT: CUSTOMER PRIVACY

ADD	**PR8**	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

ASPECT: COMPLIANCE

CORE	**PR9**	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.