



***Assignment C: Individual Assignment on Airbus and CSR
and Financial Performance***

LD0474

AIRBUS

***MSC BUSINESS WITH BUSINESS ANALYTICS AND
ADVANCED PRACTICES***

**Strategic Management for Competitive Advantage
*Word Count – 1592***

Executive Summary

The executive summary succinctly summarizes the key elements of the report. The statement highlights Airbus' strong dedication to the principles of Corporate Social Responsibility (CSR) and its proactive involvement in addressing societal and environmental issues. The summary additionally highlights the strategic opportunities for growth and development that the company possesses, as well as the effectiveness of its sustainability initiatives within the aviation industry, and its admirable financial performance. The ethical governance of Airbus, along with its strong emphasis on stakeholder engagement and commitment to innovation, serves as a foundation for its corporate social responsibility ethos. Additionally, the report elucidates the manner in which the company strategically capitalizes on prospects for growth, fosters the adoption of environmentally responsible practices, and upholds its financial stability. The comprehensive approach adopted by Airbus reflects the company's commitment to achieving overall success and its contributions to the implementation of sustainable business practices. This report presents a comprehensive analysis that reveals more profound discoveries and provides valuable insights.

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Introduction

Airbus has revolutionized aviation since its 1970 foundation by European countries and aerospace businesses. The business offered cutting-edge technologies and designs to numerous European countries. The A300, Airbus first twin-engine wide-body aircraft, shows its dedication to technology and design. The A320 series has grown to improve passenger comfort and fuel economy. The A380 and A350 XWB strengthened Airbus's aviation leadership. Airbus has promoted a united European aerospace industry, international collaboration, and aircraft design, production, and aviation innovations. Airbus distinguishes out in the aerospace industry due to its outstanding financial performance, innovative aircraft designs, environmental efforts, and corporate values. Airbus remains committed to aviation's advancement and its tradition of excellence.



Figure 1: Official Lineup of Airbus Commercial Flights
(Source: Airbus)

CSR and Sustainability

Corporate social responsibility (CSR) is a company's ethical business practices that consider the impact on society, the environment, and stakeholders. It aligns with sustainability principles and the United Nations Global Compact, balancing economic, environmental, and social imperatives while addressing stakeholder expectations. CSR includes ethical sourcing, environmental stewardship, and community engagement, promoting a holistic approach to responsible business. The World Business Council for Sustainable Development (WBCSD) defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (1999).

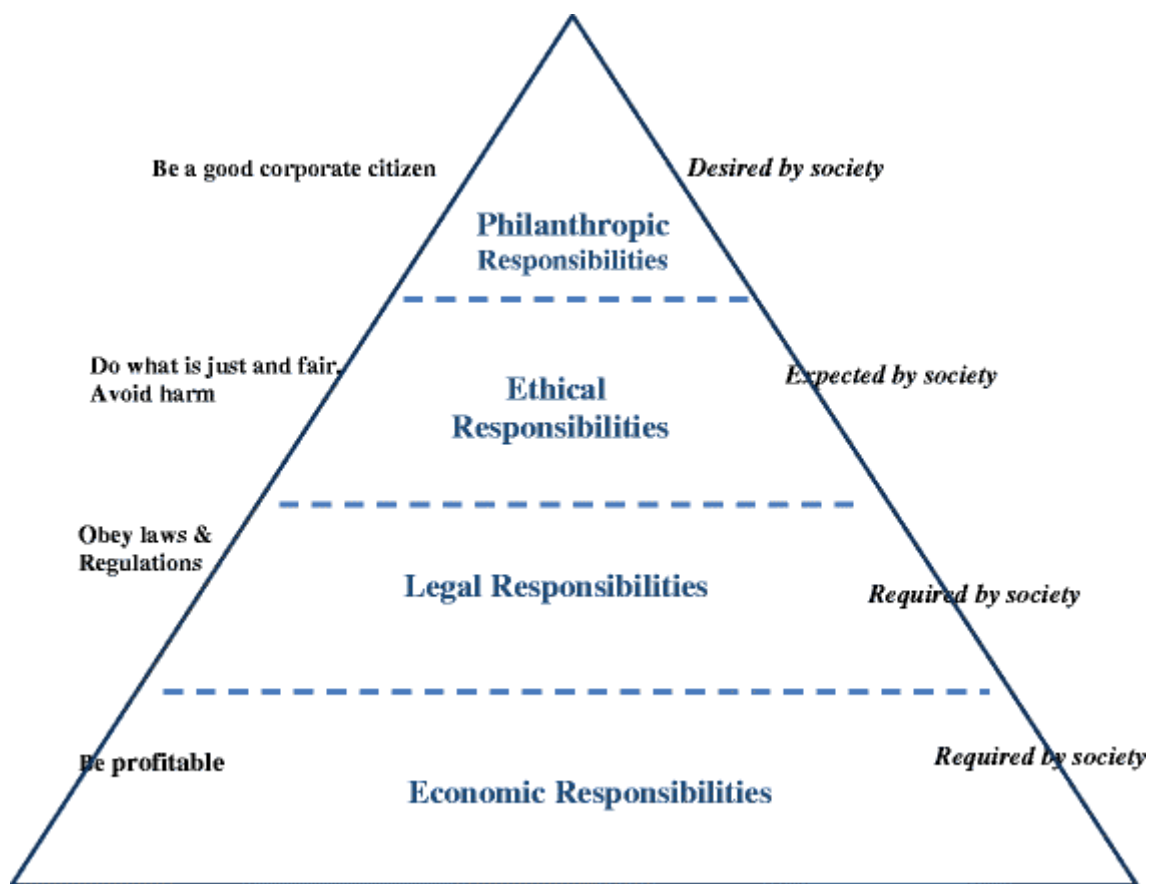


Figure2: Carrolls Pyramid of CSR
(Source: Carroll, A. B. (2016). Carroll's Pyramid of CSR: Taking Another Look)

The concept of sustainability for a company is defined as its capacity to function in a way that satisfies current requirements without jeopardizing future generations' capacity to satisfy their requirements. The World Commission on Environment and Development (WCED) first introduced the idea in 1987, emphasizing the significance of incorporating economic, environmental, and social factors into business operations.

Triple Bottom Line

John Elkington's "Triple Bottom Line" (TBL) is a 1994 framework that evaluates a company's performance beyond financial measures. It focuses on three dimensions: people, planet, and profit. The TBL acknowledges the interconnectedness of these dimensions, promoting positive social and environmental practices that improve financial results. It encourages companies to adopt practices that benefit society and contribute to sustainable development.



Figure 3: TBL Framework

(Source: Classen, S. (2021, May 24). *Core Sustainability: Triple Bottom Line – Equity.*)

Corporate social responsibility and Sustainability of AIRBUS

Airbus, a global aviation giant since 1970, has made significant strides in aircraft design, manufacture, and service provision. The company's commitment to sustainable aviation solutions and ethical business practices has made it a significant contributor to the United Nations Sustainable Development Goals (SDGs). Airbus's corporate philanthropic efforts focus on addressing community needs such as renewable energy, early childhood education, and biodiversity preservation. The company is also working on mitigating Scope 3 emissions associated with its aircraft, using proactive strategies to limit its environmental impact. Airbus is currently conducting hydrogen-powered commercial aircraft trials as part of its ZEROe program, aiming to produce a hydrogen-powered aircraft by 2035. The company is also working on improving the sustainable aviation fuel (SAF) ecosystem, aiming to equip its entire fleet with SAF by 2030. The City Airbus NextGen electric vertical takeoff and landing (eVTOL) aircraft is expected to function as an alternative mode of transportation by 2030. The integration of geospatial data is crucial for climate change mitigation, enabling monitoring of ecological impacts via Earth observation satellites. Airbus is also working on mitigating potential hazards related to orbital debris through in-orbit technology and a joint effort to formulate a Space Sustainability Rating (SSR).



Figure 4: Airbus Foundation
(Source: Airbus)

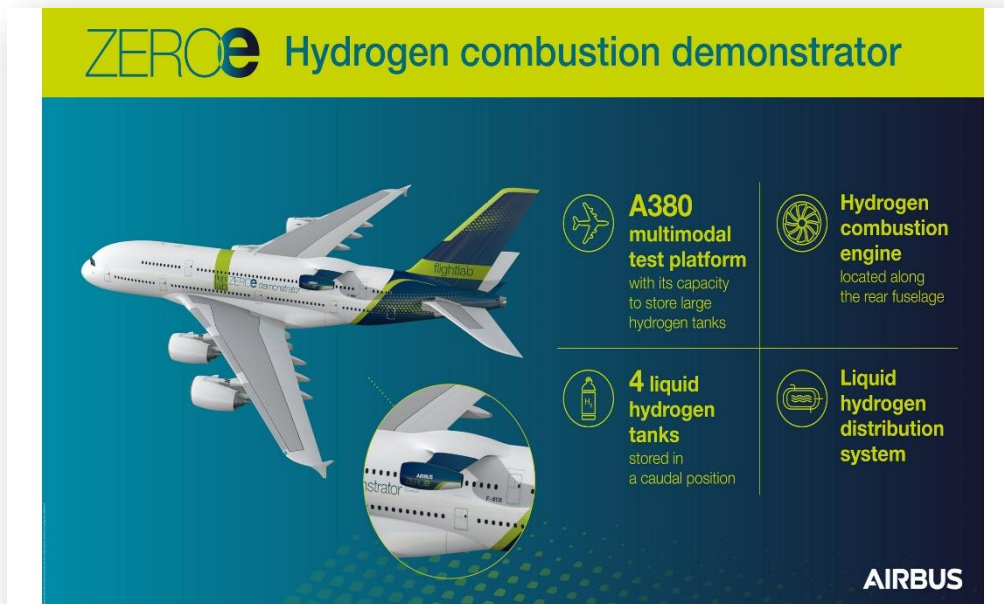


Figure 5: ZEROe hydrogen combustion demonstrator
(Source: Airbus)

CSR Opportunities of AIRBUS

The Airbus Foundation is dedicated to promoting a positive societal impact on a worldwide level, with a specific focus on the well-being of future generations. The organization utilizes a collaborative approach that integrates its business operations, the Airbus Foundation, and its workforce, with the aim of ensuring the preservation of the Earth's future, aiding marginalized communities, and fostering progress for future generations. This approach places considerable emphasis on the principles of sustainability, equity, fairness, and justice, and employs objective measures to assess and quantify the outcomes. Airbus utilizes three primary channels in order to promote coordination, improve efficiency, and uphold rigorous standards of governance and due diligence. The Airbus Foundation is an autonomous charitable institution that prioritizes the utilization of Airbus products, services, technology, and expertise to facilitate significant advancements in societal betterment. Employees are afforded the chance to provide direct aid to their communities through the utilization of the specialized digital platform known as +impact. This platform facilitates the active involvement of individuals in global causes. The community impact strategy aligns with Airbus mission and sustainability priorities, thus fulfilling its commitments to the United Nations Sustainable Development Goals (UN SDGs).

Examples of initiatives include the implementation of sustainable energy alternatives in rural regions of Colombia, the provision of early educational opportunities for children from marginalized communities in the Philippines, and the restoration of lakes in Manesar and Bengaluru, India, with the objective of reestablishing biodiversity.



Figure 6: Airbus Foundation aiding COVID-19 and Ebola relief
(Source: Airbus)



Figure 7: Airbus Foundation aiding India during COVID-19
(Source: Airbus)

Triple Bottom Line Framework for AIRBUS

The CSR approaches are broadly described for the aerospace industry Airbus concerning the Triple Bottom Line Model also known as TBL or 3BL, is an accounting framework, and it is a core component of people, planet, and profit.

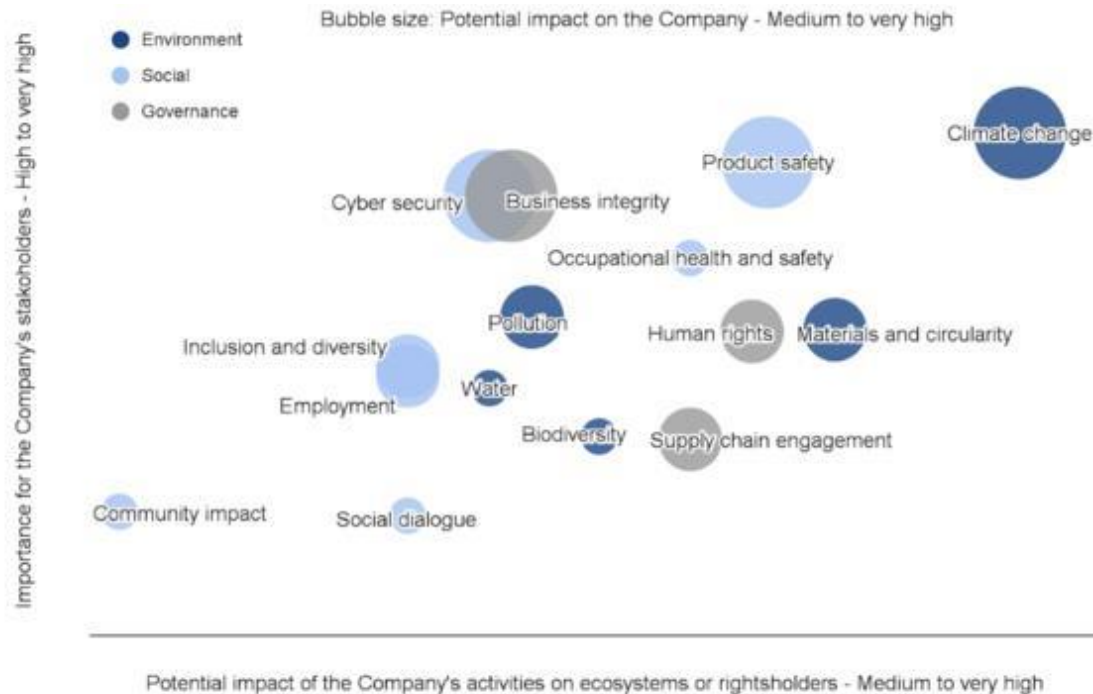


Figure 8: Materiality Matrix 2022

(Source: Airbus)

People

Airbus occupational health and safety policy aims to improve safety performance through risk management, ISO 45001 implementation, and promoting a "respect and protect" culture. The company values safety and wellness, aiming for zero harm. The Airbus Code of Conduct and annual registration documents outline these commitments. Risk management is key, with company-wide standards for risk identification, assessment, mitigation, and reporting. Employee involvement and incident reporting are encouraged, and health and safety awareness is supported through communication campaigns and training.

Profit

Airbus occupational health and safety policy aims to improve safety performance through risk management, ISO 45001 implementation, and promoting a "respect and protect" culture. The company values safety and wellness, aiming for zero harm. The

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Planet

One important aspect of Airbus is its efforts to reduce its environmental impact. This entails creating fuel-efficient aircraft, researching environmentally friendly aviation fuels, implementing eco-friendly manufacturing techniques, and making a concerted effort to lessen emissions and their negative effects on the environment.

Cooperate governance of Airbus

Airbus corporate governance aims to align its activities with regulating laws and articles of association, fostering growth, and achieving its objectives. Governance is entrusted to a Board of Directors with twelve members, responsible for the overall management, strategic guidance, and operational outcomes. The CEO is delegated day-to-day management responsibilities, allowing him to exercise decision-making authority in collaboration with the Executive Committee. However, the CEO must obtain clearance from the Board of Directors before engaging in significant transactions. The CEO, with the support of the Executive Committee and management team, is authorized to make these decisions. This includes implementing corporate strategy and formulating day-to-day managerial choices. The allocation of funds and governance mechanisms are illustrated in a graphical representation (Figure 9).

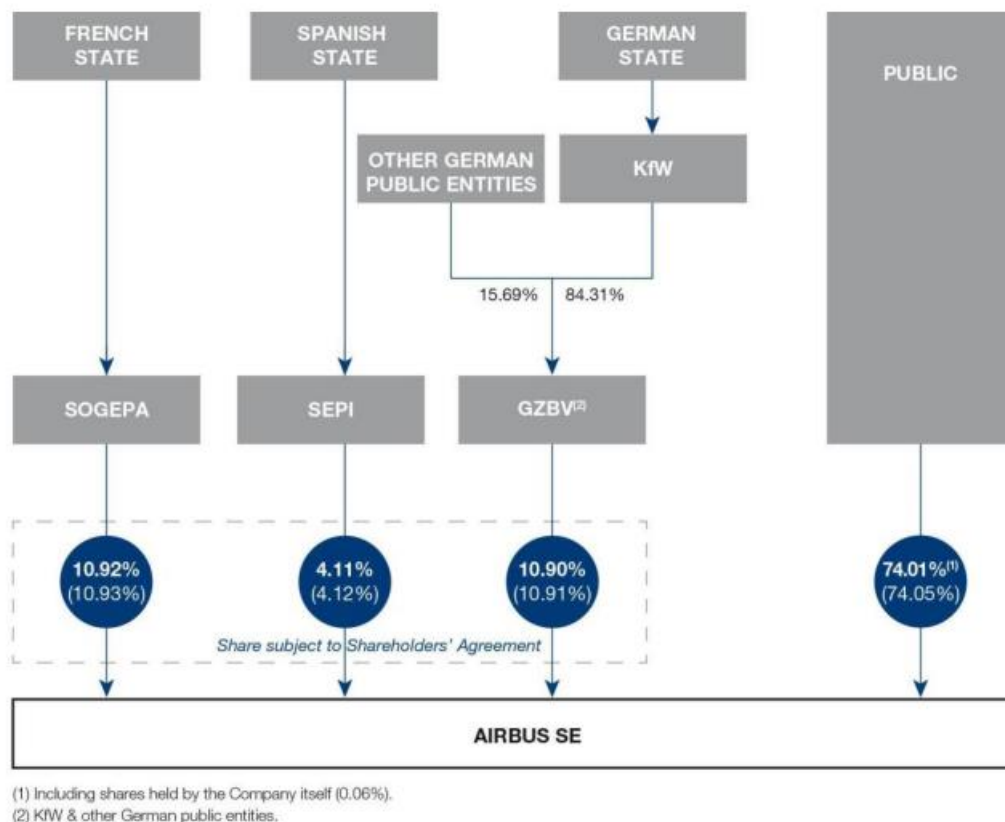


Figure 9: Ownership structure of Airbus SE as of 31 December 2021
(Source: Airbus)

Financial Performance

Consolidated Airbus	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenues , in millions	63,707	70,478	49,912	52,149	58,763
thereof defence, in millions	9,903	10,085	10,517	9,175	11,491
EBIT Adjusted , in millions	5,834	6,946	1,706	4,865	5,627
EBIT (reported) , in millions	5,048	1,339	-510	5,342	5,325
Research & Development expenses , in millions	3,217	3,358	2,858	2,746	3,079
Net Loss , in millions	3,054	-1,362	-1,133	4,213	4,247
Loss Per Share	3.94	-1.75	-1.45	5.36	5
Free Cash Flow (FCF) , in millions	3,505	3,475	-7,362	3,511	4,324
Free Cash Flow before M&A , in millions	2,991	3,567	-6,811	3,543	4,534
Free Cash Flow before M&A and Customer Financing , in millions	2,912	3,509	-6,935	3,515	4,680
Order intake , in millions	55,521	81,195	33,290	62,007	82,521

Table 1: Comparison of Financial Performance 2018-2022
(Source: Airbus)

During the fiscal year 2018, Airbus achieved a total revenue of 63,707 million euros, primarily attributable to the company's defense-related operations. The company demonstrated robust performance in its Adjusted Earnings Before Interest and Taxes (EBIT), amounting to 5,834 million euros, while its reported EBIT stood at 5,048 million euros. Despite incurring a net loss of 3,054 million euros, Airbus demonstrated financial resilience by generating a positive Free Cash Flow of 3,505 million euros. During the fiscal year 2019, the total revenues experienced a significant increase, reaching a value of 70,478 million euros. Notably, a substantial portion of these revenues, amounting to 10,085 million euros, was attributed to defense activities. During the fiscal year 2020, the organization encountered financial difficulties, characterized by total revenue of 49,912 million euros and defense-related operations amounting to 10,517 million euros. Despite incurring a net loss of -1,133 million euros and experiencing negative Free Cash Flow, Airbus managed to achieve an order intake of 33,290 million euros. During the fiscal year 2021, the total revenue amounted to 52,149 million euros, with defense-related activities accounting for 11,491 million euros. Airbus successfully maintained a favorable level of Free Cash Flow and achieved positive order intake despite the prevailing market dynamics. Comprehensive graphical representations are available for reference in the Appendix.

Financial comparison with Boeing

According to financial report data, Boeing generated slightly more revenue than Airbus during the first half of 2022. Boeing's revenue decreased from \$32.2 billion in the first half of 2021 to \$30.7 billion in the first half of 2022. Figure 10 demonstrates that Airbus consolidated revenues increased marginally during the first half of 2022, reaching \$24.8 billion compared to \$24.6 billion during the same period the year prior.



Figure 10: Comparison of Airbus with Boeing in the First half of Three years
(Source: Aerotime News)

In terms of net income, Airbus led the pack during the first half of 2022. Airbus reported a net income of \$1.9 billion during the first half of 2022, while Boeing posted a net loss of \$1 billion. The data for the first halves of 2020 and 2021 are presented in Figure 11(b).

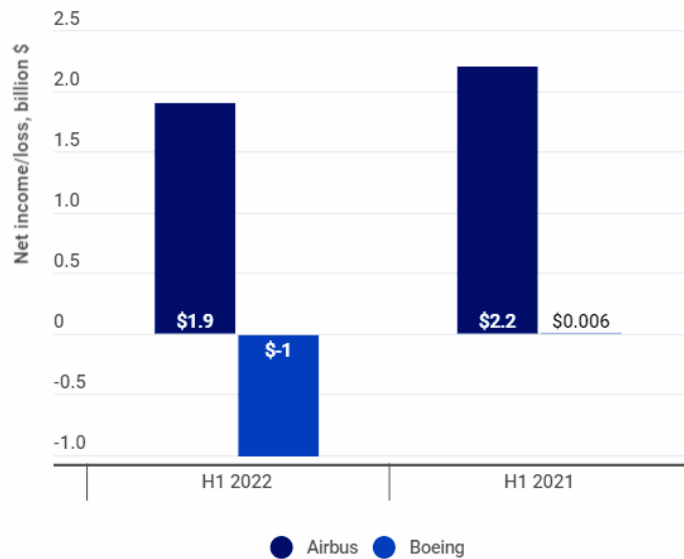


Figure 11(a): Comparison of Airbus and Boeing (Net Income) in H12022 and H12021 (Source: Aerotime News)

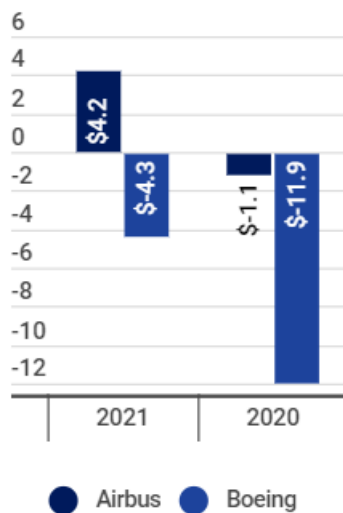


Figure 11(b): Comparison of Airbus and Boeing (Net Income) in H12021 and H12020 (Source: Aerotime News)

Conclusion

In conclusion, this Corporate Social Responsibility (CSR) and Sustainability Report highlight Airbus unwavering dedication to ethical business conduct and environmental stewardship while maintaining strong financial performance. Airbus shows its commitment to societal and environmental improvement through sustainable aviation solutions, community engagement, diversity and employee well-being initiatives, ethical governance, and transparent reporting. This dedication is further demonstrated by the company's sizeable investments in R&D, as seen in the rise in total capital spending. The increase in revenue and the improvement in gross margin highlight the company's capacity to balance its CSR initiatives with long-term financial growth. Positive financial results are a direct result of Airbus pursuit of excellence on all fronts, including moral behavior, stakeholder engagement, and environmental stewardship.

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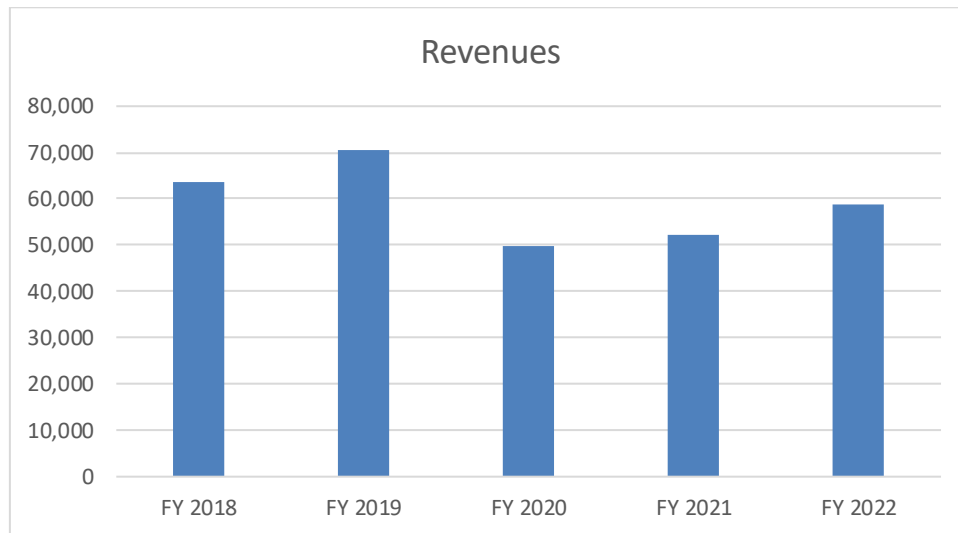
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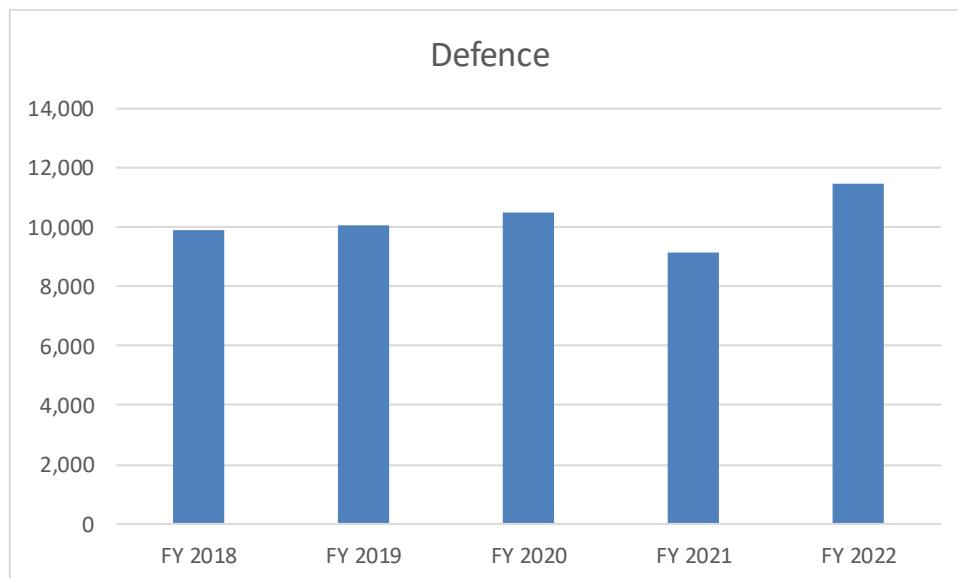
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APPENDIX

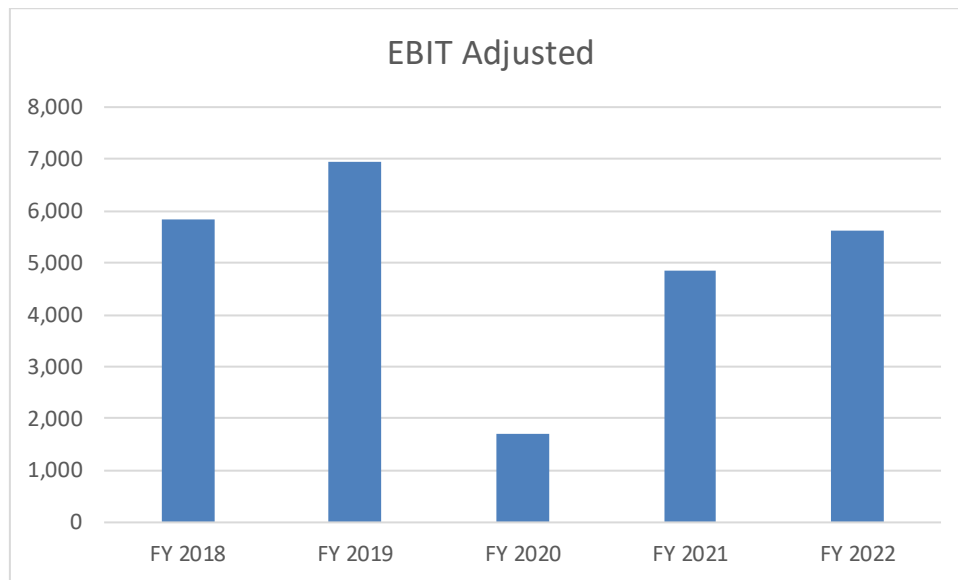
Financial ratio graphs



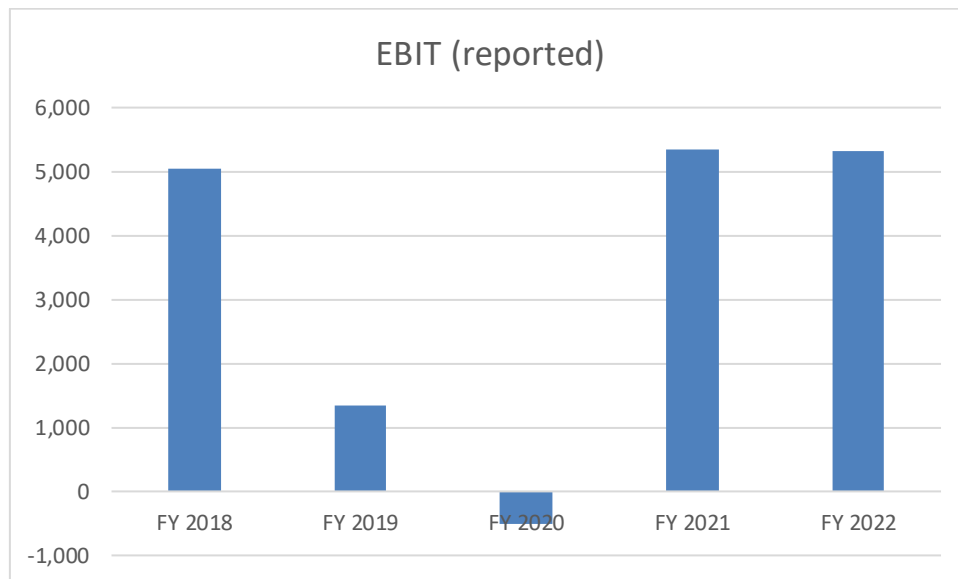
Graph 1.1- Comparison of Revenue



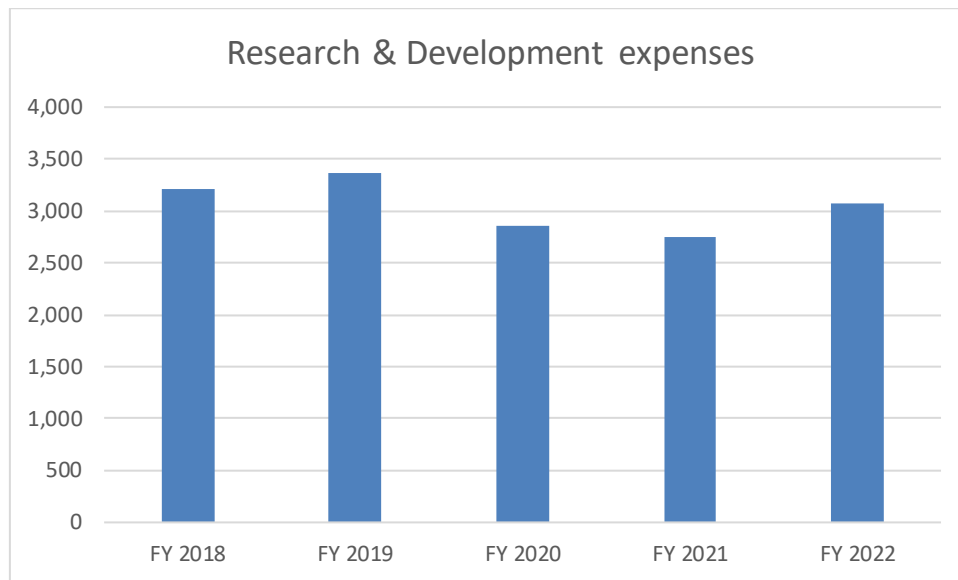
Graph 1.2 – Comparison of Defence Expense



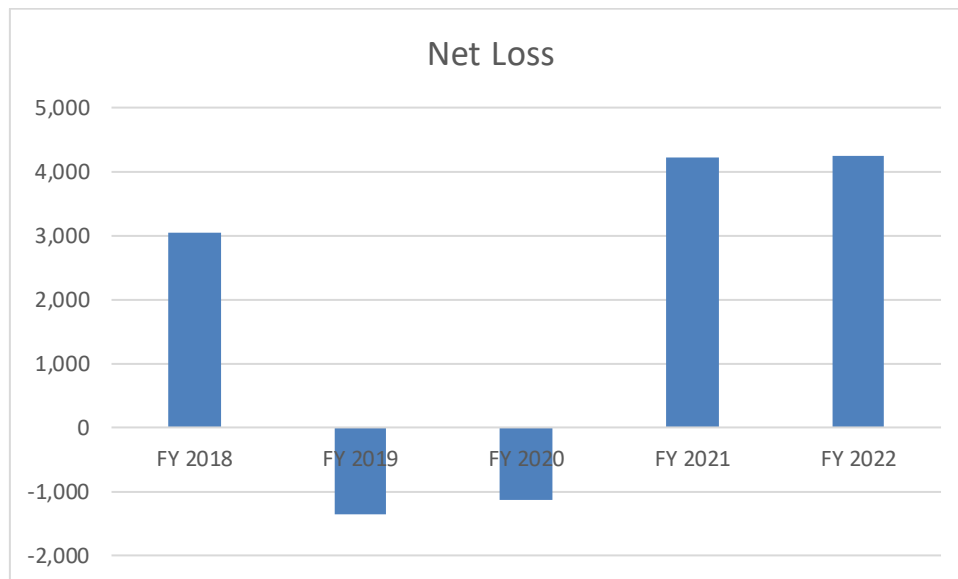
Graph 1.3 – Comparison of EBIT Adjusted



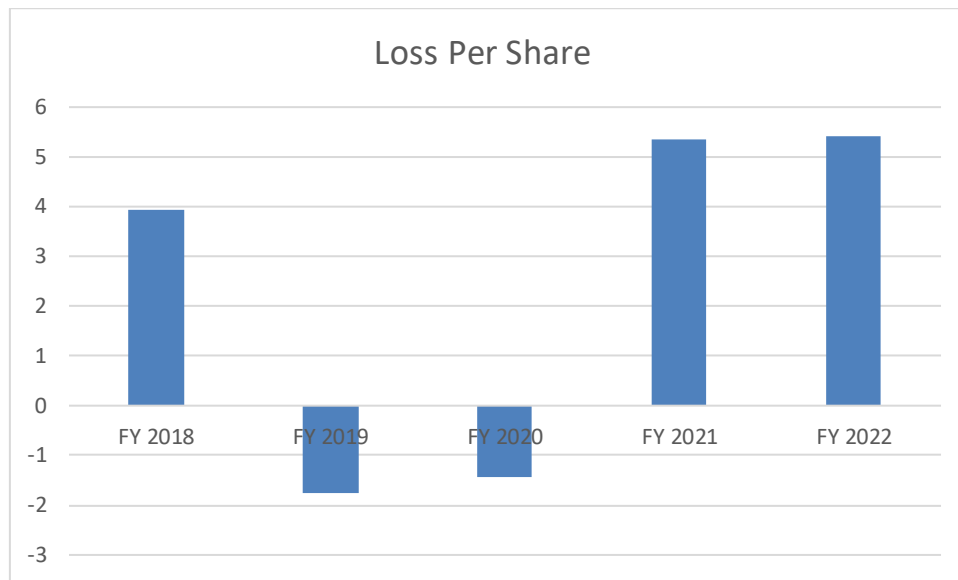
Graph 1.4 – Comparison of EBIT (reported)



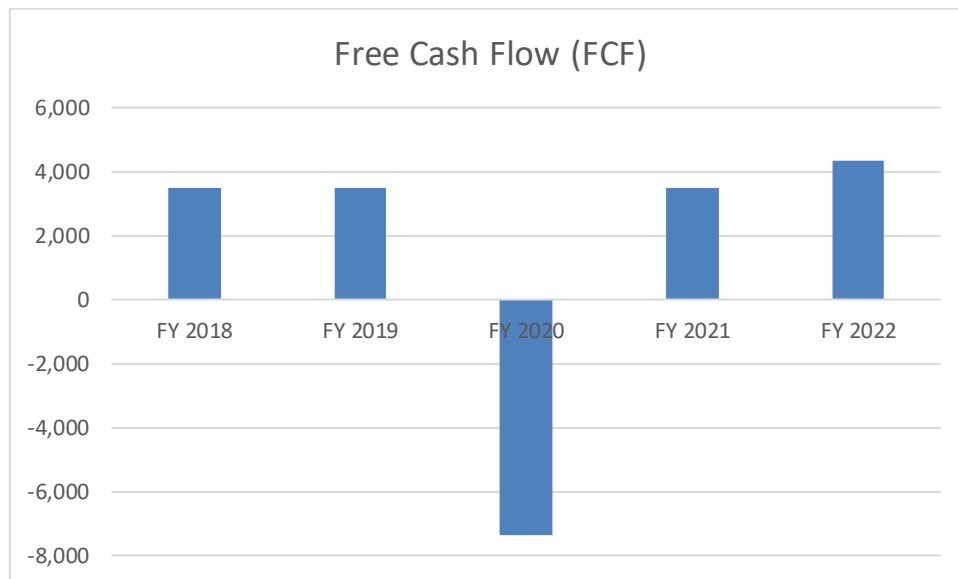
Graph 1.5 – Comparison of R&D expenses



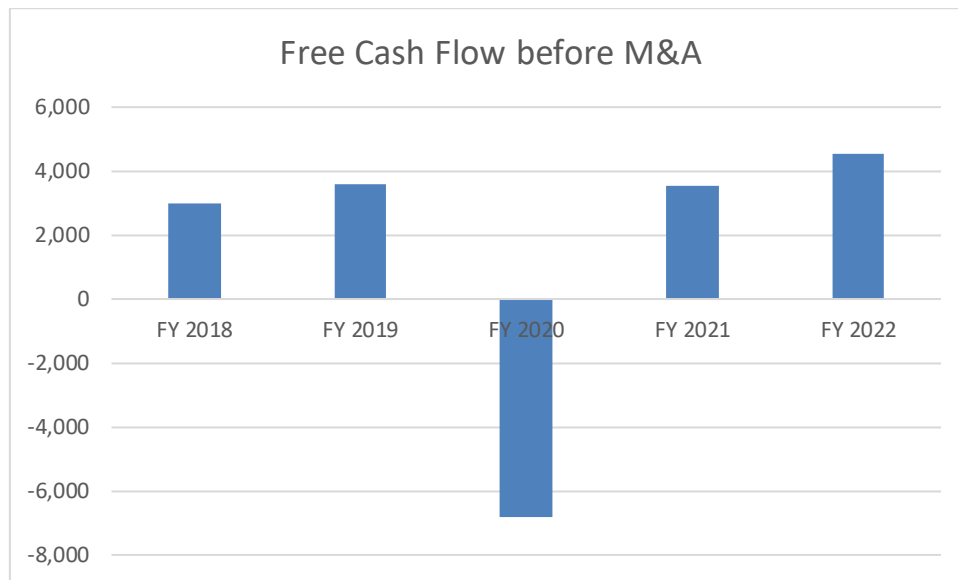
Graph 1.5 – Comparison of Net loss



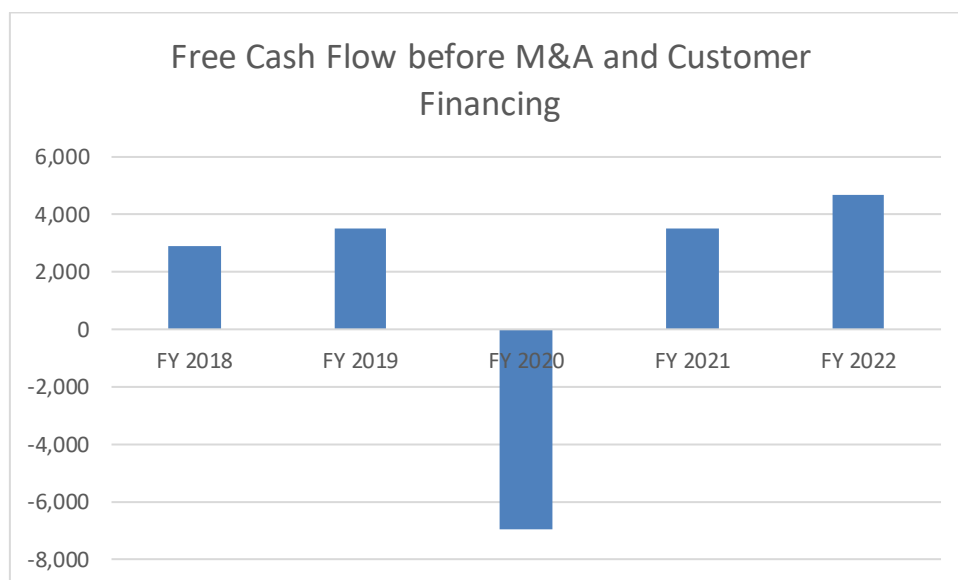
Graph 1.5 – Comparison of Loss per share



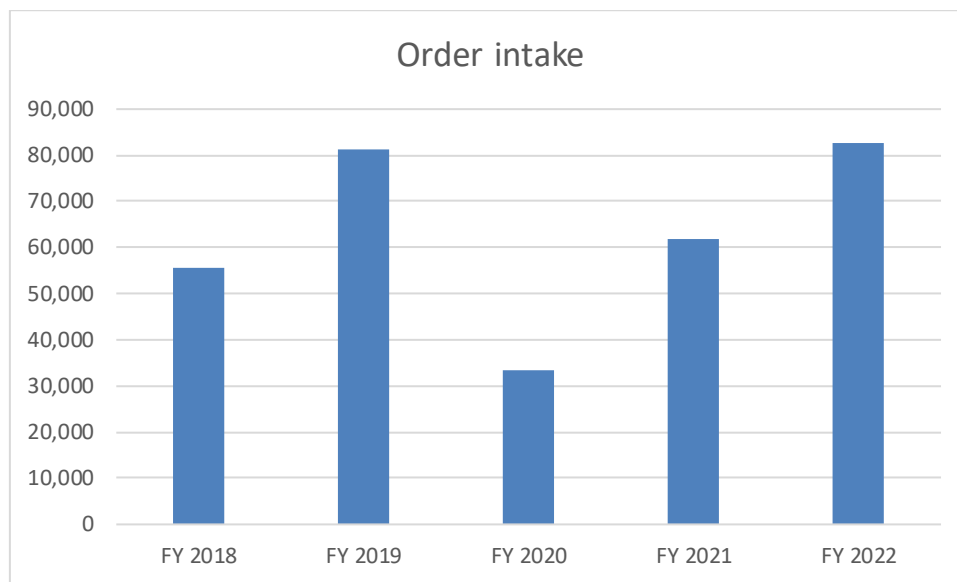
Graph 1.6 – Comparison of Free Cash Flow



Graph 1.7 – Comparison of Free Cash Flow before M&A



Graph 1.8 – Comparison of Free Cash Flow before M&A and Customer Financing



Graph 1.9 – Comparison of Order Intake

Note: The graphs presented in the analysis illustrate the data in Euro (€) and are denoted in millions. The comparison is conducted concerning the full-year reports spanning from 2018 to 2022.