Manchester Airports Group

Case Study for Sustainability First's Fair for the Future Project
Workshop on 6th December 2018 on
Public Purpose, philosophy and Public Service Values

Manchester Airports Group (MAG) owns and operates Manchester, London Stansted and East Midlands airports, together with a significant property business. 58 million passengers pass through MAG airports annually and the group's airports directly employ more than 40,000 staff and support another 82,000 throughout the UK. Each year, MAG contributes £7 billion to the UK economy.

MAG is proud to be **operationally carbon neutral**, with 100% of airport energy needs being met using renewable sources. MAG is ambitious to grow but recognises that the size, scale and nature of its business means it has a **duty to pursue that growth in a responsible way**, minimising the impact on the environment and maximising the benefit it offers to the areas it serves.

MAG is a holding company, which is owned by both public and private shareholders including Manchester City Council, the nine other Greater Manchester Local Authorities and Australian investment fund, IFM Investors. Its ownership model means that how it contributes to the prosperity of the regions it serves is important to the owners and both sets of shareholders are interested in the long-term success and sustainability of the business; the interests of the public and private sides of the business are aligned.

In 2015, in response to business needs and reputational issues, MAG created a new **Corporate Social Responsibility Strategy**, using a bottom-up approach with the support of the owners, CEO and the Chief Operating Officer. This was driven by:

1. A changing climate and the widely held perception of aviation as a 'totemic' issue meant MAG wanted to demonstrate it was doing all it could to mitigate and manage the impacts of airport operations.
2. The need to meet the demands of increased growth, primarily through investing in new infrastructure.
3. The ever-growing importance of local communities and their concerns around environmental issues such as aircraft noise.
4. Recognition that historic community programmes needed to be more coherent and coordinated.
5. Direction and experience of new shareholders meant there was recognition that, in the corporate world, there was an expectation that companies would do more to report what they are doing in this area.

MAG built their strategy on these foundations, took a step back to analyse where they were and commissioned a **Materiality Review** by an independent specialist to identify the most relevant sustainability issues for them. The review process saw an extensive list of stakeholders interviewed about what issues they felt were important for MAG to consider and act upon. The findings were published in a report, which was used to develop outputs for MAG's CSR Reporting. To ensure relevance, MAG has continued to carry out a 'light touch' Materiality Review each year to test the reporting outcomes. MAG also set up a Group CSR committee, comprising a cross section of Executives and Senior leaders. This work has also become part on the business planning cycle.

The approach has evolved over the years and MAG's key learning points include:

1. The active support of the CEO (not just when things go wrong) and Board is key, but to sustain this Executives need to see tangible, understandable long-term benefits, which can be incorporated into the business plan (E.g. lowering energy use for the associated reduction in bills and carbon use).
2. Building key measures into the criteria to assess investments will get attention and focus (E.g. Cost of Carbon being included in pay back analysis).
3. Need to engage effectively with the wider community, which means getting out there; Community Relations used to spend 80% of their time answering calls on noise complaints but a shift to proactive engagement has seen this reduce significantly. Building relationships takes time but pays dividends (EMA 24hr operation, MAN second runaway and STN planning approval, for example).
4. Must build measurable targets into performance review process and link to personal remuneration. MAG expects employees to do volunteering.
5. CSR needs to be a mainstream part of organisational governance arrangements to be effective. CSR Committee at MAG is now a Committee of the Board, chaired by a NED and attended by the Chairman.
6. Messages must be simple and understandable so that they can be effectively communicated.
7. There must be an acceptance that CSR strategies will continue to evolve so the business needs to be able, and prepared, to react flexibly to changes in policy or public expectation.

Other points of note:

1. MAG's focus has been mainly on infrastructure, with limited focus on the role of the customer. There is some complexity for MAG in defining the customer; the airlines? the other businesses operating from the airports? the passengers? Work is in progress to look at this, with the challenge being that

2. MAG has very little, if any, direct relationship with the customers before they arrive at the airport.
3. Cross industry working with the airlines, air traffic control, aeroplane manufacturers and other key parties through 'Sustainable Aviation' has been crucial in delivering good outcomes such as reducing noise.
4. MAG is beginning to consider Social Value, the cost of it and how this is practically incorporated into the business.