Ethical statements on sustainability by Corporations, ESG rating and fake ESGs:

use of standards and laws by Companies, citizen awareness, and the risk of greenwashing

*Research promoted by **Tiziana Beghin,***
Member of the
European Parliament – Non Attached

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Summary

Introduction and foreward

The competitive scenario is marked by the ever freer flow of people, goods and capitals, long and fragmented supply chains on a global scale and an increasingly large geographic space for investments and trade. There is a rising demand for credible and reliable information on a company's reputation, not just limited to the general or organizational profile, its products and pricing, rather also on risks of future damaging effects on the company and stakeholders related to a wide variety of elements not directly linked to its finances (governance, human rights and work conditions, safety, environment and business ethics).

Research shows how a company's reputation is ever more dependent on the trustworthiness and reliability of information disclosed to stakeholders: all of this requires – partly as a result of the emerging legal context – new approaches, methods and standards in putting together and publishing information on non-financial risks, nowadays more commonly referred to as "ESG risks" (Environment, Social, Governance).

The present exploratory work was born out of these premises, with the express aim at capturing the state of the art on these matters so as to detect points of strength and weakness in the procedures put into practice today by Companies in their reporting activities, in order to identify a shared standard for evaluating the results of business performance in terms of ESG, all the while promoting and encouraging a debate based on the analysis of this research, and hopefully a betterment of the quality of information related to this kind of reporting. Indeed, this work is perched on the efforts by the EU to promote a sustainability culture not just amongst european citizens but also within SMEs and big Corporate groups.

The aim of this work is to highlight the difficulties often found by companies in terms of certifying and evaluating their own compliance levels, and the perception by the citizenry of the truthfulness of ethical assertions by companies, particularly by investigating the so-called "S" factors, that is the social ones, in order to verify statements by companies on the whole group of "sustainability claims".

In this regard, the analysis appeared representative in providing a snapshot of the approaches, methods and standards in reporting on non-financial aspects used by companies in their ESG performance reporting: for example, 70.00% of the companies that responded having sustainability reports validated by a certifying company indicated that the work of the latter was based on the analysis of documents and evidence produced by the company itself, highlighting how there would appear to have been no audit by a specialist to verify the genuineness and truthfulness of the statements and evidence produced (to the extent that only 25.00% of the sample stated that they had undergone a specific audit carried out in the company). Five hundred responses were also collected, a number considered statistically significant due also to the diversity of the sample, reflecting the opinion of the Italian population on corporate sustainability and the genuineness of companies' ethical claims, particularly delving into the so-called 'S' aspects, the social ones, in order to verify companies' declarations on the entire set of sustainability claims: It is interesting to note that more than 60% of those surveyed did not even know the meaning of the term 'ESG', although when asked how important it was for respondents to adopt practices that enable the company to be truly sustainable, the majority (around 80%) answered 'very' or 'very much'.

The work has thus highlighted - among the ample data of interest - on the one hand the perceived complexity of existing and newly promulgated EU regulations on the subject of the validation of ethical assertions and the certification of sustainability reports, considered by a significant number of companies as not very easy to interpret and above all as an additional bureaucratic burden, instead of - as it should be - an opportunity to increase competitive advantage by building a good reputation and positively orienting the purchasing behavior of citizens; on the other hand, the analysis highlighted the public's low level of trust in the ethical assertions of companies themselves, often the result - in the perception of users - of self-declarations with a blatant risk of greenwashing. For a more complete analysis of the detailed results of the survey, the authors obviously refer the reader to the full report, without, however, failing to emphasize the significant opportunity for intervention on the part of the EU authorities in terms of the elaboration and approval of more shared standards on the subject of the attribution of ESG ratings, as well as in terms of the effective communication of these important and pressing issues to the general public.

1. Legislative and reference scenario

1.1 The relevancy of reputation as main intangible corporate asset

As widely known, corporate reputation is a factor closely linked to integrated reporting processes, and rests on three key elements: the quality of the product, the ability to listen and the degree of authenticity[1]. For the purposes of the present analysis, particularly regarding to corporate reporting processes related to sustainability, the element of most interest appears to be that of authenticity, one aspect of deep relevancy still underestimated by an unfathomably high number of organizations on a global scale, and without which it will be impossible to build trust[2] and maintain an adequate degree of uniformity and coherence between corporate identity and its externally communicated image. The degree of authenticity and consistency in the organization's behavior over time and the following reaction to expectations formulated by its stakeholders determines the setting up of corporate reputation; a lack of authenticity can create a significant reputational risk and consequent potential crisis[3].

Companies – driven by increasing demands from their costumers - are beginning to learn that before merely appearing "green" they must show themselves being consistent with their own values, whichever they may be, and possibly make them known to stakeholders right from the formulation and coding phases, keeping faith with the overall coincidence of long-term interests that should exist between the shareholders and the audiences of the company.

The scandals which involved a variety of big multinationals, the environmental problems related to production and the consumption of resources, and the renewed interest of investors on "how" their funds are spent, put at the center of public interest the socio-economic responsibility of companies and the degree of authenticity in acknowledging their social role.

Today a number of companies, trying to conform to the increasingly ambitious standards set by regulatory bodies and consumers on sustainability issues, seem to apply an *impression management* strategy, which is a process conceptualized for the first time by the sociologist Erving Goffman, where one acts as to influence perceptions and impressions triggered in other people[4].

In business, impression management usually involves an organization trying to control the image that a significant holder of interests has of it. The ethical result of impression management has been the subject of intense debating between those who argue that such a technique results in effective self-disclosure, and

[1] Cfr L. Poma, G. Grandoni (2021), Il Reputation management spiegato semplice, Celid, Torino.

[2] Cfr. Portal, S., Abratt, R., & Bendixen, M. (2019). The role of brand authenticity in developing brand trust. Journal of Strategic Marketing, 27(8), 714-729.

[3] See the Starbucks case as an illustrative one: Sisson, D. C., & Bowen, S. A. (2017). Reputation management and authenticity: A case study of Starbucks' UK tax crisis and "# SpreadTheCheer" campaign. Journal of Communication Management.

[4] Cfr. Goffman, E. (1978). The presentation of self in everyday life (Vol. 21). London: Harmondsworth.

those who consider these strategies as a mere cynical manipulation: what needs to be clear is that impression management is a useful tool for disclosing the true nature of the company only when there is an approach centered on transparency and authenticity. Impression management can be considered a useful tool for spreading valuable information to the public since it achieves preserving the reputational asset of authenticity while operational; on the contrary, the adoption of these techniques without respecting the fundamental principles of transparency and authenticity greatly exposes companies to the risk of greenwhashing, that is adopting a communication strategy aimed at building a self-image which is deceptively positive from the point of view of environmental or social protection, intending to divert the attention of the public from the potential negative results of its activities or products on stakeholders and the environment.

In literature there are numerous case-histories of greenwhasing noteworthy of mention, useful in analyzing the consequences and the reputational risk of this practice: we particularly like to mention the Volkswagen story with the Dieselgate scandal of 2015, whose analysis allowed an evolution of the definition of the whole idea of greenwashing[5].

It seems clear how high sustainability policies adopted by a company should first and foremost reflect the underlying culture of said company, instead of a business' culture being distorted in favor of its public image in order to give a fresh "coat of green", making itself more *eco-friendly* and thus more enticing to customers and investors.

The gap between identity and image, and the risks related to it, has been widely discussed by crisis and reputation management scholars and specialists[6]: this issue has also been strengthened by the analysis of several case-histories widely referred to in literature, such as the Enron accounting scandal[7], British Petroleum[8] with the environmental disaster related to Deepwater Horizon, Facebook with the Cambridge Analytica scandal[9] and many others. All these examples have demonstrated more and more how much the construction of an inauthentic corporate narrative, aimed at projecting an image inconsistent with one's own identity, in an attempt to stand out and be more attractive in the eyes of all stakeholders, may actually create significant damage capable of generating negative reputational risk.

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[5] Siano, A., Vollero, A., Conte, F., & Amabile, S. (2017). "More than words": Expanding the taxonomy of greenwashing after the Volkswagen scandal. Journal of Business Research, 71, 27-37.

[6] Vecchiato G., Poma, L., Crisis management. Come comunicare la crisi: strategie e case-history per salvaguardare la business continuity e la reputazione, Il Sole 24 Ore, 2012

[7] Petrick, J. A., & Scherer, R. F. (2003). *The Enron scandal and the neglect of management integrity capacity*. American Journal of Business.

[8] de Wolf, D. (2013). *Crisis management: lessons learnt from bp deepwater horizon spill Oil. Business Management and Strategy*, 4(1), 69-90.

[9] Yue, T., Beraite, R., & Chaudhri, V. (2020). Reputation Crisis? Facebook Meets Cambridge Analytica.

In order to lessen the reputational risk, it is evidently necessary to minimize, as far as possible, the triggers of a possible reputational crisis[10]. One of the causes often lies in the improper, reckless, inconsistent and unfaithful use of *corporate communication* and marketing, including in sustainability reports[11], sometimes building an inauthentic narrative about the assumption of social responsibilities by the company itself, and thus creating pockets of unsatisfied expectations on the part of stakeholders, precursory to the generation of endogenous or exogenous reputational crises (this is the so-called phenomenon of *overpromise*: reputational risk rises when conditions occur for which the correspondence between commitments and performance is not correctly matched[12]).

Indeed, the widespread adoption of ESG-based reporting models has indirectly "relaxed" investors and consumers, while at the same time distracting companies from properly equipping themselves to have a greater social impact on the main issues affecting their businesses[13]. A particular flaw related to *reputational risk* lies in the assessment that today's companies, mediatically over-exposed, are subject to a greater risk as greater is the possibility of generating reputational capital, according to the *risk-return* relationship. In order to avoid running into the *reputation equity reduction* phenomena, it is always useful to remind the need to propose a sustainability narrative that is authentic and genuine[14].

Furthermore, other aspects pertaining to the relationship between the current behavior of the organization as illustrated by the sustainability reports and recognized good practices in the field of reputation management should be monitored, such as:

- accessibility to information (any external subject has easy access to the body of information and knowledge of the company, in a multi-channel and multi-stakeholder way);
- thoroughness of information (quantity, quality and frequency in updating information, including the publication of critical issues and any eventual failure to achieve objectives);
- availability to dialogue with online stakeholders (real engagement, swiftness and completeness of responses on digital channels, etc.);
- expression of values externally (the base values that make up a company's DNA are narrated effectively to the external public);
- expression of values internally (the corporate DNA and the goals are clear, shared and pursued by the whole team, periodic "tuning" is carried out, etc.);

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[10] Cfr. M. Winter, U. Steger (1998), *Managing putside pressure. Strategies for preventing corporate didasters*, Wiley, West Sussex, UK.

[11] Cfr. A. Siano, *La comunicazione per la sostenibilità nel management delle imprese*, 2020-03-26, Sinergie rivista di studi e ricerche, Vol 30 n° Set-Dec (2012)

[12] Cfr. Greyser, S. A. (2009). Corporate brand reputation and brand crisis management. *Management Decision*.

[13] Cfr. E. Porter, G. Serafeim, M. Kramer, *Where ESG Fails*, Harvard Business School, 16/10/2019

[14] Cfr. Christensen, L. T. (2002). *Corporate communication: The challenge of transparency*. Corporate communications: an international journal.

- effectiveness of the dialogue involving internal functions (the internal dialogue translates into decisions, revisions of decisions already taken if necessary, etc.);
- *ex ante* concerns on environmental impact (forethought on the environmental impact of each stage of the production chain);
- *ex post* concerns on environmental impact (emissions compensation and impact reduction on the environment in general, at the end of the production cycle).

These reflections seem particularly correct when referring to the sustainability report, which is a report aimed at summarizing the organization's commitment to properly defining its reputational perimeter, hopefully building value in the medium to long term thanks to it.

1.2 The role of reputation as a critical immaterial asset in corporate financial reporting

Analysis conducted by the American Reputation Institute, titled *Reputazione, valore e performance finanziaria*[15] (Tesoro-Tess e Charles Fombrun, 2021), confirms the presence of a statistically significant correlation between a company's operational performance and its reputation as felt by different stakeholders. As shown by this data, perception by citizens and other qualified stakeholders (financial analysts, mass-media, etc.) has a significant impact on a company's market value, way above effects expected by sheer operational performance. Reputation Institute estimates indicate that, on average, there is a 1 point change in a company's reputational index (as measured with their RepTrak® index), that being 2,6% of a company's market value. Proof of this can be found, legally, in disputes related to compensation for reputational damage, although we should keep in mind that in Italy this kind of damage is not considered subsisting in *re ipsa*, being recognized only upon demonstration by the injured party of patrimonial and commercial damage (for instance, data showing a decrease in sales) following the harmful event. Indeed, examining a detailed database collected in the Netherlands of monthly ratings over 5 years, analysts at the Reputation Institute showed that public perception in the Netherlands had a greater effect of 5,65% on market value, about double that highlighted by analyzing american companies, the US market being more keen to pure financial performance, thus confirming that European companies seem to be more heavily affected by immaterial criteria linked to their "social" performance. The Institute then created a portfolio comprising the yearly top 10 most rated companies by reputational standards: results in the period taken into account (10 years) show that an investment of $1000 evenly distributed among the top 10 would be revalued up to $3025 in 10 years, with a better performance of about 50% on the Dow Jones index ($2053), Russell index 3000 ($2030) and the S&P 500 index ($2010), and overperforming on the market average. Following guidelines laid out by the *United Nations Environment Program,* among various methods for analysis and cataloguing of potential signals of reputational crisis, it will be useful to identify a company in one of the following stages of development of its relationship with stakeholders:

a) no involvement;

b) exploratory: *ad hoc* stakeholder engagement as opportunities or challenges arise;

c) structured: quality engagement processes with ideas for how to structure the future relationship and on stakeholder needs, yet management systems still being inconsistent, the impact of engagements on current

[15] Reputation, value and financial performance.

decision-making processes being unclear, and performance objectives in addressing challenges not yet defined as established themes;

d) integrated: high quality of involvement processes are included in the operational decision making processes and are integrated into the company management processes. Engagement is systemic to ensure that issues are adequately addressed;

e) strategic: high quality of integrated involvement in management and governance processes, directly linked to corporate strategy. Issues are dealt with in depth, often aiming at changing the whole system, both locally and globally.

As far as we are concerned, level (e) is the one which interests us the most within the context of the analysis of this present research.

1.3 Non financial reporting: context of reference

According to the *Sostenibilità alla sbarra* research, a report put together by ConsumerLab - a research center specialized in sustainability - dedicated to analyzing the progress of sustainable transformation by companies and influences leading consumption, in Italy only 1,76% of small businesses with more than 20 employees publish a Sustainability Report, a percentage sharply dropping to 0,63% for companies with fewer than 10 employees. Analyzing larger companies, only 28,2% of 1,915 Italian major businesses draws up such a balance sheet: of these, the first 345 banks operating in Italy stop at 18,2%; of the 76 insurance companies 27,6%. This being in spite of the fact that almost one out of five advertisements disseminated in the country (19% of the total) incorporates the word sustainability in messages directed to the public, and of these, almost half (46%) refer to the theme of environmental sustainability.

Taking part in drafting a sustainability report is an activity that allows organizations to collect a variety of data and information, whose analysis gives a chance at undertaking a self-assessment process: a useful moment to look at themselves and to rise awareness of one's own impact on sustainability issues. This in turn allows companies to start a process of realization, followed by action and transparent communication about the risks and opportunities faced throughout the life of the company.

According to a report by Morningstar[16]- the most famous and authoritative company globally in the field of providing independent financial research - in 2020 savers poured over 223 billion euros into European investment funds dedicated to "sustainable" companies, an amount almost double that of 2019, year in which subscriptions reached 126 billion (the increase recorded was also rewarded by a better performance in terms of yield). According to Deutsche Bank, 2020 was also the year of highest achievements for ESG investments, defined now as one of the "megatrends" in the world of finance: the massive capitals invested in "sustainable" products, not just from the environmental point of view but also the social one, and in relation to good governance, reached a record amount of 7 billion dollars in the first three quarters of 2020, tripling the figure for 2019 (1.9 billion dollars). Looking at data already collected by the MSCI KLD 400 Social Index on financial performance in 2021, the value of the 400 largest companies with the highest commitment to ESG criteria has increased from $477 billion at the end of February 2011 to $1.469 billion as of 26 February 2021 (+300.1%).

Since 2018, in line with this quick set of data, the EU Commission started putting under the spotlight this way of conducting business, pointing at **sustainability as a**

[16] Morningstar Direct, Manager Research, 2020 https://www.morningstar.it/it/news/209409/i-record-dei-fondi-sostenibili-europei-nel-2020.aspx

“resource” to employ in order to change the economic destiny of the EU – that being the hope at least.

Incidentally, it is worth mentioning how the attention of most of businesses has been directed towards the “E” among ESG policies (that is Environment), followed by “G” (Governance) and only marginally the “S” (Social), which actually would be the one most felt by the citizenry (gender equality, minority rights, wage gap…)

The positive impact derived by introducing ethic themes in business, and the following reporting to the public, has been claimed both in literature and professional practice with direct and measurable effects on the following assets, among others:

- **business reputation**, that is – thanks to a careful alignment between identity and external image – a change in perception by key stakeholders, firstly among clients;
- **license to act**, the ability by the organization to reach its strategic objectives;
- **attractiveness**, ease for businesses to attract and engage new talents;
- **toughness in times of crisis,** proneness by companies to catch in time any slight signals of crisis (endogenous or exogenous) and effectively act to govern and deal with crisis, thus reducing potential damage towards stakeholders and partners.

Within the action plan for a circular economy, the EU Commission announced the willingness to propose to businesses demonstrating their environmental impact **using methods from *the environmental impact from organization and products* by the same EU**. This way the Commission is trying to establish a coherent political landscape for a sustainable production of goods, services and business models, shaping consumption models in the EU in a more sustainable direction. This European Regulation – which will take the name of *Substantiating Greens Claims* – aims at imposing to businesses proving the truthfulness of claims related to environmental impact of their products and services, using standardized methods for their measurements. The objective is thus making claims more reliable, comparable and verifiable in the whole EU, reducing the **risk of “greenwashing”[17].**

Furthermore, on march 22nd 2023 the EU Commission put forward new criteria in an attempt to fight greenwashing and misleading environmental claims. "*Under today's proposal,*" - reads the Commission's press statement - "*consumers will have more clarity, stronger reassurance that when something is sold as green, it actually is green, and better quality information to choose environment-friendly products and services. Businesses will also benefit, as those that make a genuine effort to improve the environmental sustainability of their products will be more*

[17] English neologism which is generally translated as "facade ecologism, or facade environmentalism", which stands for the communication strategy of certain companies, organizations and institutions aimed at attributing fictitious merits in the ESG field.

easily recognized and rewarded by consumers and able to boost their sales – rather than face unfair competition. This way, the proposal will help establish a level playing field when it comes to information about environmental performance of products."[18]

[18] https://ec.europa.eu/commission/presscorner/detail/en/IP_23_1692

1.4 Binding Law and legislative evolution

As of now, in the profit field in Italy, non financial information reporting is mandatory as by D. Lgs. 254/2016, particularly for entities of public interest, whereas it is voluntary for the rest of businesses.

December 16th 2022, EU Directive 2022/2464 of December 14th 2022 was published on the official Journal of the European Union, regarding **corporate sustainability reporting – CSRD** with the express aim at extending scope and requirements of the **Non-Financial Reporting Directive (NFRD)** of 2014. CSRD, entered into effect January 5th 2023, modifying EU Regulation N. 537/2014, Directive 2004/109/CE, 2006/43/CE and 2013/34/UE concerning non-financial reporting.

The new **European Corporate Sustainability Reporting Directive - CSRD** envisages significant innovations on a path for expanding **sustainable reporting** to a larger audience, differentiated by type of business, which will include **listed and unlisted SMEs** (on a voluntary basis).

The scope of the new laws is much wider that what envisaged by NFRD: estimations suggest that companies to which the new rules will apply will rise from the now 11.600 up to 49.000. Specifically, CSRD will be applied to:

1) large companies that exceed at least two of the following margins:
   - asset side of the balance sheet > **20 million euros**;
   - net turnover > **40 million euros**;
   - average number of employees> **250**;
2) **listed companies, including SMEs** (listed small companies excluded) specific standards will be laid down for non-European companies, which will cover only some areas of reporting;
3) **non-European companies whose net revenues from sales and services will exceed 150 million euros** and which have at least one subsidiary company or branch in the EU;

The objective of CSRD is the **betterment of sustainability reporting in order to make the most of the European Single Market's potential, and contribute to the transition towards a fully sustainable and inclusive economic and financial system**, in line with the European Green Deal and the UN Sustainable Development Goals.

The CSRD also dictates the obligation to report sustainability information according to new European standards, the ESRS (European Sustainability Reporting Standards), developed by EFRAG.

The CSRD amends some previous European regulatory acts (Accounting Directive, Audit Directive and Regulation, the «Transparency Directive»). The new legislative instrument renames this form of reporting as "sustainability reporting" and no longer "non-financial reporting".

Directive 2014/95/EU, known as the "Non Financial Reporting Directive - NFRD" (implemented in Italy with D. Lgs. 254/2016), was the first regulatory provision which introduced the obligation to communicating non-financial risks based on the risk assessment of future adverse impacts on companies and their stakeholders, in accordance with the OECD guidelines. This Directive– among other things – requires companies included in its scope to add in their communications an assessment on " *d) the principal risks related to those matters linked to the group's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the group manages those risks*;".

1.5 Reference standards and comparability of information.

Currently the EU has its own standards for reporting sustainability on all ESG themes, which are based on a multi-stakeholder perspective (and not just that of the investor) and comprising both a generic ("sector agnostic") and sectoral ("sector specific") nature. These are consistent with the recommendations of the TCFD, and reflect the information needs emerging from the EU Taxonomy Regulation[19], from the "*Sustainable Finance Disclosure Regulation*" (SFDR)[20], the European Pillar on Social Rights and the recently passed Directive on «Sustainable Corporate Governance and Due Diligence».

As stated by the recent "*Aspirational Paper sulla proposta di revisione della Direttiva UE relativa alle informazioni non finanziarie (CSRD), sull'importanza dei processi di stakeholder engagement nella redazione dei report di sostenibilità e sull'adeguamento delle rendicontazioni basate su metriche ESG alle migliori pratiche documentate in letteratura*"[21] by Luca Poma and Cesare Saccani, the CSRD directive certainly embodies a significant step forward in moving the time focus of information about non-financial risks from the past/present to the future, thanks to more emphasis given to business objectives and strategies. However, the Directive still fails to take a bald step, that is supporting information on metrics founded upon the equation **"risk = probability * consequence"**; nor does it require at minimum a semi-quantitative measure expressing the level of exposure to current or potential risks that may be caused by future adverse events, to be used as input in evaluation systems for other purposes by other stakeholders (investors and banks primarily).

Furthermore the CSRD Directive extends the obligation to all sustainability reports drawn up according to its rules, to go through the so-called "limited assurance", hopefully achieving "reasonable assurance" in a limited time frame.

The ***Limited* Certification** is a process that leads to a negative outcome: the professional conducting it performs limited checks (compared to those necessary to obtain a *Reasonable* certification) and declares that they haven't found elements leading to the conclusion that there are significant inaccuracies in the documents being reviewed.

On the contrary, the ***Reasonable* Certification** leads to a positive outcome: the professional performing it expresses a judgment based on the evaluation of the object with respect to preset criteria. The activity carried out to obtain a Reasonable certification involves complex procedures including the examination of internal controls of the company that prepares the information, and the

[19] Reg. UE 2020/852.
[20] Reg. UE 2019/2088 and revision of Pillar 3 (CRR2 Art. 449 bis – ITS EBA).
[21] "Aspirational Paper on the proposed revision of the EU Directive on non-financial information (CSRD), on the importance of stakeholder engagement processes in the preparation of sustainability reports and on the adaptation of reporting based on ESG metrics to the best practices documented in the literature".

execution of substantial checks (audits or assessments), therefore being significantly more challenging than obtaining a limited certification.

This distinction has deeply profound implications – and some gaps – regarding the following aspects:

- object being reviewed;
- approach to evaluation and metrics;
- authorized subjects to carry out the certification;
- professional expertise.

First and foremost, there is a great underlying difference between the certification of financial statements and the certification of sustainability reporting: in the first case, the auditor is required by law to carry out a *reasonable* certification process, while in the second case – as of now - the directive requires just a *limited* certification. Whereas the aim is to bring about a similar level of certification for financial and sustainability reporting, the lack of agreed standards for compliance certification of sustainability reporting leads to the risk of generating divergent interpretations and expectations regarding the purpose of the activities carried out, especially in the context of a reasonable certification assignment for the different categories of sustainability information, and particularly regarding to the disclosure of forward-looking and qualitative information.

The CSRD directive espouses a gradual method, with the goal of improving the level of sustainability information certification, first of all by introducing the obligation for the forensic accountant or audit firm to express an opinion on the sustainability statements compliance with EU provisions on the basis of a limited certification process. Such opinion should include the conformance of the sustainability reporting with EU sustainability reporting principles, the procedure followed by the company to pinpoint information to be disclosed according to the same set of EU principles and the fulfillment of labeling obligations of the sustainability statements.

The gentleness of the chosen method allows for a progressive rise in costs to businesses that disclose information, since obtaining a reasonable certification is much costlier than following the procedure for obtaining a limited certification. An approach to reasonable certification requires leading evaluating activities in the field of non-financial factors lead by professionals in possess of adequate skills. For instance, a financial auditor might be able to evaluate information on governance risk, but will rarely be able to acquire the skills necessary to evaluate with an adequate level of reliability information on risks relating to social, safety, environmental and business ethics.

1.6 Shortcomings of standardized models for sustainability reporting

A robustly more advanced approach, with regards to the need of providing sustainability information, is the adoption of reporting standards developed by international foundations including CDP, CDSB, GRI, IIRC and SASB.

These five organizations have recently started a process of gradual harmonization of sustainability indexes, allowing an easier way to reporting and disclosing results obtained by a company in the field of sustainability to stakeholders, integrated by statements about future objectives and strategies. To these is added at national level the document entitled *OIBR Reporting integrato delle PMI. Linee guida operative e casi di studio*[22]. These standards have undoubtly the merit of focusing attention on what to measure and disclose, because:

- they take into consideration all aspects of accountability related to sustainable development;
- define for each aspect a set of indicators and information to which the company can refer to;
- define, for each indicator, a standard metric to be used in the collection and reporting of the data.

However, it is impossible to overlook how corporate reporting done in accordance with sustainability reporting can have - in a statistically significant number of cases - problems relating not only to the risk of violating basic rules of reputation management, but also in meeting the requirements set by regulations and proposals on sustainability reporting and, above all, the legitimate needs and expectations of Stakeholders.

Empirical analysis suggests that sustainability reports are often "hagiographic", self-referential, self-supporting and relevant only for the organization itself, being the only one perceiving the sustainability report as a useful communication: narcissistically, the company merely looks itself in the mirror, obtaining an image that is opaque and at the same time flattering.[23]

Furthermore, a number of sustainability reports only disclose successes of companies, without adequately keeping in consideration the *comply or explain* principle (companies rarely illustrate in retrospect the reasons why they have failed in achieving objectives previously set, and on the basis of which they have made commitments with their stakeholders)[24].

Reporting only the successes, masking what was not possible to do, is in plain

[22] OIBR integrated reporting by SMIs. Operational guidelines and case studies.
[23] Cfr. Brunsson, K., & Eng, O. (2018). *The autopoietics of sustainability reporting,* COCREATING RESPONSIBLE FUTURES IN THE DIGITAL AGE: Exploring new paths towards economic, 46.
[24]Cfr. L. Poma, G. Grandoni (2021), *Il Reputation management spiegato semplice*, PP. 121- 126 Celid, Torino

betrayal of the principle of authenticity, that being a guarantee on the quality of the relationship with one's stakeholders: an authentic reporting should include in it failures by the company, what was not possible to do, and why it wasn't. In this regard it would be useful, for non-financial indicators, to draw inspiration from the typical system of the Balance Sheet[25], a document drawn up pursuing the principle of truth, which states in a clear, truthful and precise way one's financial position (e.g. assets, cash flow) at the end of the reference period, as well as the economic result for the operating period itself.

A balance sheet schematically shows the assets (in green or white), the liabilities (in red) and finally the equity of a company at a given moment: similarly, when drafting a sustainability report, it would be preferable to put on balance the positive and negative aspects, and clearly highlight the objectives achieved as well as those not yet accomplished, thus reporting an authentic image of the organization in a given moment. Let's not forget how the impossibility of building trust, effectively feeding into the intangible factor of reputation, in the absence of the - essential - requirement of the aforementioned authenticity, is a well established concept in doctrine[26].

From an economic, social and environmental sustainability standpoint, the *Standard GRI Global Reporing Initiative*[27] mention corporate reputation as a valuable indicator of consequeces: the document asserts that impacts on the economy, the environment and/or society can also be related to repercussions for the business itself, therefore an impact on the economy, the environment and/or society can lead to consequences for a company's reputation.

In line with such a perspective, the *GRI 101 on reporting principles* states that in defining material themes, the organization has to take into consideration consequences related to its impact on the economy, the environment and/or society as risks linked to its reputation. Relevancy of corporate reputation is further underlined in *GRI disclosure 207-3 Stakeholder engagement and management of concerns related to tax* in which it is argued that the approach embraced by the organization in involving stakeholders has great relevancy on its reputation and trust position. Finally, within guidelines contained in *disclosure*

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[25] Cfr. The EU, with regulation n. 1606 of 2002, introduced the obligation to use the international accounting standards, known as IFRS (International Financial Reporting Standards), evolution of the IAS (International Accounting Standards).

[26] Brønn, P. S. (2010). Reputation, communication, and the corporate brand. The Sage handbook of public relations, 307-320.

[27] Global Reporting Initiative, GRI Sustainability Reporting Standards, 2019. These indices are promoted by the Global Reporting Initiative, an international non-profit organization involved in the affirmation of principles of transparency and comparability of data relating to corporate social responsibility. GRI has developed a framework for applying sustainability reporting, known as the GRI Standards, which provide organizations with a one-size-fits-all framework for disclosing information about their environmental, social and governance activities. The GRI Indexes are a set of indicators organizations can use to collect and spread information about their sustainable performance. These indicators cover a wide range of topics, including greenhouse gas emissions, water usage, human rights management practices, diversity and inclusion, occupational safety and many others. The GRI indices are already used by many organizations around the world as a useful tools for their sustainability reporting. The use of the GRI Indices helps organizations to disclose consistent and comparable information about their sustainable performance, and provides a basis for comparison between organizations in different sectors and regions of the World.

305-3 it is affirmed that organizations might identify indirect GHG emissions (Scope 3) taking into account those emissions related to its own activities, which contribute to climate change, such as financial, regulatory, supply chain, product, customer, litigation and reputational risks.

From a wider perspective on value creation, the WICI *Framework*[28] requires organizations to highlight how they create, identify, manage and use intangible assets - considered as strategic resources - in order to produce value. The document states that an organization may have positive or negative intangible assets (sometimes also known as "intangible liabilities"), i.e. intangibles that can have a major negative impact on an organization's strategic and/or financial value (eg. : the bad reputation).

Corporate reputation is part of the so-called relational capital, intended as the relationships that an organization builds with the outside world; reputation is understood as a strategic advantage when it is positive, or as a negative intangible resource (immaterial liabilities) when it is negative.

The paper *OIBR Reporting integrato delle PMI. Linee guida operative e casi di studio*[29], based on the WICI Framework, explains how SMEs too can adopt integrated reporting (International <IR> Framework, 2021) and classifies the relationship with customers and suppliers within the so-called Social and Relational Capital[30]. The paper shows a model of performance indicators for SMEs[31], and among these, both in the highlights, making possible to provide an initial general view of the company and in the basic KPIs, and in the specific KPIs, describing relational capital in particular, information is provided on non-financial aspects dedicated to the reputation dimension or elements related to it.

Specifically, among the specific KPIs related to Relational Capital there are: brand recognition/strength of the brand, external corporate image perceived by customers, communication channels with customers, internal corporate image, internal employee satisfaction level (company climate) and communication channels with stakeholders. The paper proposes a specific Key Risks Indicators (KRIs) regarding corporate reputation or reputational risk management. Lastly, the potential change in customer perceptions is linked to the ability (or inability) of the company to make its own contribution to the transition towards a low carbon emission within the recommendations of the Task Force on Climate-related Financial Disclosure[32]

However, when moving the focus from *what* to *how,* measuring of these standards with respect to the general information objectives of the organization raises questions on a methodological level: are the sustainability reports in

[28] WICI, World Intellectual Capital/Asset Initiative, WICI Intangibles Reporting Framework, 2016.

[29] *OIBR Integrated reporting of SMEs. Operational guidelines and case studies*; OIBR, Il Reporting Integrato delle PMI: Linee guida operative e casi di studio, ottobre 2019.

[30] Terminology used by the International <IR> Framework (2021) to indicate relational capital.

[31] OIBR, op.cit., pag. 57.

[32] TCFD; Task Force on Climate-related Financial Disclosures, Recommendations of the Task Force on Climate related Financial Disclosures, 2017.

compliance with these standards functional to the assessment and communication of the risks of future adverse consequences? The answer is only partially positive, for the following reasons:

1) **poor or no assessment of future risks.** To begin with, the standard indicators are useful for collecting historical data but do not allow for the prevision, by extrapolation, of adequate assessments of future risks (e.g. it is not possible, without a high level of uncertainty, estimating the probability and the consequences of a fire based on the fact that there has been no fire in a company to date);
2) **limited scope**. A second limit of these standard indicators - for example of the GRI/SASB - concerns the perimeter of sustainability reporting, that being limited to the sole legal entity that prepares it. In GRI 101 "*Foundation*" we find that "*The GRI Sustainability Reporting Standards (GRI Standards) are designed to be used by organizations to report about their impacts on the economy, the environment, and/or society*". Therefore, the GRI standard refers to the company's impacts on the environment, but does not consider the company's level of exposure to risk derived from what happens along the supply chain (as explicitly required by the OECD) or from the location where the enterprise is situated. Although the GRI 104 "*Procurement Practices*" standard requires basic information on the supplier management approach and provides for some indicators (e.g.: geographical distribution, budget relating to purchases by country/product/supplier, definition of "*significant locations for operations*"), it does not include, for instance, information on how the company manages non-financial risks related to events affecting the company on the supply chain side, nor does it require, for example, indicators to be included in the contractual clauses in Due Diligence checks carried out on suppliers and their selection processes, reflecting the treatment and techniques for mitigating these risks and any penalties or sanctions;
3) **inadequacy for interpretation and the need for predictive data**. The third and most important limit of sustainability reporting referred to in standards such as the GRI and SASB, consists in the fact that the information collected and disclosed has a qualitative (e.g. definition of policies) or quantitative (KPIs) nature, yet in reality none of that information lends itself to an assessment that allows their interpretation in terms of risks to Stakeholders: for example, one of the GRI standards relating to the environment, to energy in particular, establishes that the indicator relating to the relationship must be reported between "% of renewable energy consumed/total energy consumed" expressed in joules or multiples thereof (GRI 302); given that an AAA company will consume a higher percentage of renewable energy than a BBB company in marked way, how can this information transform this indicator into a "probability x consequence" that an event may or may not occur in future such as to cause an adverse impact on the organization and its stakeholders? How do you interpret a difference in percentage terms of renewable energy

consumed between the AAA company and the BBB company, and which parameter can tell us if this difference is recorded on modest or substantial absolute values of renewable energy consumption expressed in Joules?;

4) **limited assurance.** On the GRI website it reads "*The use of external assurance for sustainability reports is advised, but it is not required in order to make a claim that a report has been prepared in accordance with the GRI Standards. An organization is required to report its approach to external assurance with Disclosure. The GRI Standards are not subject to certification. There is no cost associated with using the GRI Standards for sustainability reporting, or with notifying GRI of the use of the Standards*". Indeed the percentage of reports laid out by companies in compliance with the GRI standard with external assurance services is very low. It should also be emphasized that the scope of a GRI Report is limited to an assessment that has as within its goals:

   a) the thoroughness of the report;

   b) the formal correctness of the methods used for calculating the indicators;

   But exclude:

   c) data verification and validation.

   Who and how validates the correctness of the reported KPIs data? In this respect, it falls within the reliance placed on a faithful self-declaration.

   Thus, in relation to the levels of certification of corporate sustainability reporting, "limited" and "reasonable" as defined by the CSRD Directive, the level of external assurance can only be, at best, a "limited certification" of a report structured against a standard without any significant useful indications for at least a semi-qualitative assessment of the current or potential risk of an event that may cause future adverse impacts to the organization and its stakeholders (as required by OECD, EU legislation and a growing number of Stakeholders including investors, banks and buyers).

In short, sustainability reporting based on standards such as the GRI and SASB, although undoubtedly constituting a point of reference for the standardized collection and representation of historical data and little future qualitative information, does not seem to satisfy the emerging need to fill the framework with verified information of predictive character (*forward looking*).

1.7 Limits of traditional approaches to evaluating ESG risks

We now analyze possible ways of managing assessments and their reporting on the basis of ESG standards.

An initial evaluation of the scenario through sample checks, carried out before starting the research by consulting both companies and public relations/communication agencies, indicated that the method for collecting information on a company's non financial aspects of most use is via a number of documents:

a) ad hoc questionnaires developed by the interested party (e.g.: buyer, bank, etc.);

b) structured self-assessment processes (e.g.: Confindustria - GBS questionnaire, Gruppo di Studio per il Bilancio Sociale - Piccola Industria).

The second method most used for acquiring information, and simultaneously supporting SMEs in relation to sustainability issues, consists in the supply of a second-party assessment and consultancy service in ESG matters by a stakeholder (e.g.: bank, buyer, etc.).

The main goal would seem to focus on finding meeting points, in ESG matters, between the information needs of the Stakeholder - especially in terms of completeness, accuracy and transparency - and the company's need to understand ESG issues, so as to create a set of ESG data to be used as input onto information systems and risk measurement systems for other purposes (e.g. credit risk).

These tools have the advantage of imposing a low cost for the company, but have some disadvantages that risk diminishing the value of the results of an evaluation, such as:

- lack of references to internationally recognized guidelines (OECD) or standards (ISO 26000) on ESG risks;
- no focus on risk assessment on future adverse impacts;
- information of a qualitative nature without any score-oriented metrics;
- risk of bias in assessments due to possible conflict of interests;
- absence of third-party verification (these are self-declarations by the company).

The first technique aimed at overcoming, at least in part, the limits derived from methods of gathering information based on self-assessment or second-party assessments, consists in asking the company for independent third-party certifications on the management system or on the product.

The landscape of independent third-party certifications on management systems, with regard to sustainability, is broad and includes: the environment (ISO 14001), energy (ISO 50001), health and safety (ISO 45001), social accountability (SA 8000), anti-corruption (ISO 37001).

These certifications aim at verifying compliance with the requirements defined by the standard on the definition, implementation and improvement of a management system.

The standards mentioned are undoubtedly useful tools for improving processes (when well applied) and for providing evidence of the commitment to adapt one's management system to international standards, with a benefit in terms of "public recognition" (reputational advantage). However, these standards are focused on the requirements for efficacy in the management system, yet do not suggest much on the company's future results, and much less on the level of exposure to non-financial risks with a predictive nature.

As stated in the recent work named "*'Certificazione B Corp': un'asserzione etica affidabile, accurata e credibile? Nove motivi per – attualmente – dubitarne…*"[33] by Professor Luca Poma, the topic of the so-called false ESGs is vigurously creeping its way in the business world, both from the side of for-profit organizations, eager to boast about the appropriate certifications (often requested by their own suppliers), and from the side of consultancy firms, ready to issue ESG ratings with particularly excessive ease, obviously in the face of important fees that feed an ESG consultancy market that exceeds **6 billion dollars a year[34].**

However, according to a recent Capterra research conducted on the CEOs and executives of 266 Italian SMEs, the concept of ESG is still "unclear" to 27% of the sample interviewed.[35] Speaking of large Italian listed companies, a recent research published by Consob[36] brings to light several elements highlighting a yet surprisingly immature approach by companies on ESG issues: it emerges that 23% of the sample has not organized any training program on ESG issues, and over half of companies examined does not include any ESG topics in the abstracts of the strategic plans they publish, demonstrating how much the attention on these topics - of absolute relevance - is still to be developed in the entrepreneurial web, both at a macro and micro level.

At this point it seems appropriate recalling the context of binding regulations (Regulations and Directives) in force in Europe for regulating standardization and certification in this field, that is:

- concerning more specifically the audit/revision of financial statements, the main regulatory text, i.e. Directive No. 2006/43/EC, implemented in

[33] *B Corp' certification: a reliable, accurate and credible ethical statement? Nine reasons to – currently – doubt it…*

[34] Verdantix, *Green Quadrant: ESG & Sustainability Consulting 2022.*

[35] https://www.capterra.it/blog/3390/strategia-esg-pmi

[36] Piermattei L., DNF: UN'ANALISI DINAMICA DELLA TRASFORMAZIONE MULTICAPITAL 2016/2021, nell'ambito del *Rapporto 2021 sulla rendicontazione non finanziaria delle società quotate italiane di Consob*, 30/03/2023

Italy by Legislative Decree of January 27th 2010, n. 39, subsequently amended and supplemented by Directive No. 2014/56/EU, in turn implemented in Italy by Legislative Decree No. 135 of July 17th 2016, constitutes a basic and uniform regulatory framework for the European territory, regarding the audit and assurance on financial reports. It should be noted that this legislation also concerns the necessary qualification of auditors in order to be able to perform the audit and provide assurance on corporate financial statements, whether they are accounting professionals or audit firms. To this end, it is worth mentioning that the new European Directive No. 2464/2022, better known by its acronym "CSRD", requires that the Sustainability Statement be mandatorily included within the Management Report, which is one of the core documents forming the annual financial reporting package of companies;

- Regulation (EU) No. 537/2014 of the European Parliament and of the European Council of April 16th 2014 on specific requirements concerning the statutory audit of public interest entities (listed, banking and insurance in Italy);
- in terms of auditing standards, ISAE No. 3000 (Revised), issued by the International Auditing and Assurance Standards Board (IAASB) to provide assurance regarding information other than accounting information, including therefore also non-financial information. The institution by the way is actively working to revise a revision standard more focused on information about sustainability called international Standard on Sustainability Assurance (ISSA) 5000, wich is expected to be definitely released in the middle of year 2020 (the two standards will therefore survive side by side, with the ISSA 5000 being used for the review of sustainability-related information).

On the other hand, with regard to standardization and compliance certification, the following should be mentioned at the European level:

- the standard-setting activity at European level, defined by Regulation (EU) n.1025/2012[37];
- the accrediting and market surveillance activities concerning the certifications, are defined by Regulation (EC) n.765/2008[38] which assigns the task of certifying the competence, independence and impartiality of certification organizations (management system, product and personnel), of verification/validation of ethical assertion, inspection and verification, and testing and calibration laboratories to ad hoc Accreditation Bodies;

[37] Regulation (EU) n.1025/2012 of the European Parliament and of the Council on European standardisation.
[38] Regulation (EC) n.765/2008 of the European Parliament and of the Council, of July 9th 2008 establishing rules on accreditation and market surveillance.

- the meaning of "certification" in international (ISO/IEC, CEN/CENELEC) and national (UNI/CEI) standards[39].

As may be gathered from the above and from the European regulatory framework, there seem to be two different approaches and interpretations on the crucial subject of assuring the truthfulness of sustainability information, with the aim of fostering the trust and reputation of this form of reporting, one that refers to the audit/audit sphere and to the concept of assurance, and another that refers to the world of standardization and certification of conformity and quality of management systems (cf. ISO), a dichotomy that is incidentally generating access and stimulating debate in Italy among professionals, specialists, academics and insiders. In this regard, it should be noted that the aforementioned recent European Directive CSRD (n. 2464/2022), in its original English version, speaks of "assurance" and "independent assurance providers", while, curiously, the Italian version of the same text has been rendered with the different wording of " conformity certification" and "independent providers of conformity certification services", which would not seem to help clarify the relationship between these two European regulatory bodies, concerning precisely the construction and certification of information on sustainability.

There are numerous entities and certification firms that offer "ESG certificates", yet even if it is true that anyone can develop and publish a standard, there is a fundamental question that comes to mind: **are these consultancies recognized regulatory bodies?**

In EU Regulation n.1025/2012 we can read: "*'standard' means a technical specification, adopted by a recognized standardization body, for repeated or continuous application, with which compliance is not compulsory, and which is one of the following:*

a) *'international standard' means a standard adopted by an international standardization body;*

b) *'European standard' means a standard adopted by a European standardization organization;*

c) *'harmonized standard' means a European standard adopted on the basis of a request made by the Commission for the application of Union harmonization legislation;*

d) *'national standard' means a standard adopted by a national standardization body;*

Furthermore, Regulation (EC) 765/2008[40] defines the general definition of "conformity assessment" as a "*the process demonstrating whether specified requirements relating to a product, process, service, system, person or body have*

[39] https://www.uni.com/index.php?option=com_content&view=article&id=157&Itemid=877

[40] Regulation (EC) No. 765/2008 of the European Parliament and of the Council of 9 July 2008, setting standards on accreditation and market surveillance as regards to the marketing of products.

been fulfilled". The definition takes inspiration from the ISO 17000[41] standard in which the certification is considered a type of "conformity assessment", defined as "*demonstration that specified requirements relating to a product, process, system, person or body are satisfied*".

The evaluation of a certification program/scheme must be carried out by a national third-party body, an accreditation body which must be signatory to international agreements for the mutual recognition of accreditations, in order to further guarantee international recognition of the results of the compliance of certification evaluations. As stated in Regulation (EC) 765/2008 the accreditation bodies signatories of an MLA (MultiLateral Agreement) carry out assessments ensuring that a program/scheme complies with the requirements of accreditation standards (conformity assessment of a certification scheme is exclusively carried out by accreditation bodies following harmonized procedures at European level by document n. EA-1/22[42] and worldwide by IAF MD25[43]).

A conformity assessment entity is considered reliable if it meets a series of requirements relating to competence, independence, impartiality and the absence of conflicts of interest, transparency and organizational structure, while maintaining compliance with the applicable requirements over time. On the other hand, almost all of consultancy firms that offer "ESG certifications" do not provide complete and adequate information on key issues, including: the definition and assessment of the skills of the people involved in the certification; the compliance of the assessment process with requirements defined by international standards; reliability in the degree of repeatability of the results; the transparency of the information disclosed to interested parties, with the net result that many vaunted "ESG certifications" actually have no value, as **they are more similar to a validation of self-declarations of the requesting companies/organizations, than to actual " certifications"**.

[41] ISO 17000 "Conformity assessment – Vocabulary and general principles".
[42] https://european-accreditation.org/wp-content/uploads/2020/09/EA-1_22-_Rev04_April-2020.pdf
[43] https://iaf.nu/iaf_system/uploads/documents/IAF_MD_25_Criteria_for_the_Evaluation_of_CAS_07012022.pdf

1.8 Limits of ESG ratings in international agencies and consultancy firms

On the means available to financial stakeholders (investors, banks and insurance companies) to evaluate a company's sustainability, the ESG rating services provided by international agencies deserve a deeper review. Indeed, although these kinds of ESG ratings do not constitute corporate sustainability information as required by the CSRD Directive, they actually guide the investment decisions of funds and credit granting by banks.

We shall examine this topic having due regard to the framework of OECD guidelines, standards (ISO 26000) and the European Community directives, but above all with respect to the growing need for information that goes beyond the reporting logic of the past, moving in the direction of evaluating the degree of exposure to risks that may have future adverse impacts.

Recently, various international rating agencies (S&P, Moody's, Fitch) have designed a series of services in response to the growing demand for information on ESG risks from investors and banks (and in particular from Credit and Risk Management functions).

Although the demand for greater transparency from rating agencies, especially regarding valuation methodologies, that is indicators used for analysis and the aggregation approach, is rising, those same agencies have serious difficulties in correctly quantifying these factors and in making solid forecasts over the time horizon functional to determining a credible and reliable risk rate, a key factor to be considered in assessments relating to determining the investment or credit risks.

Generally, credit rating agencies offer a service based on the integration of ESG factors into their ratings and some of these offer, in addition to the more well-known assessment for the attribution of creditworthiness, a specific score which explains how and in what measure ESG factors can influence or have influenced the rating of the counterparty.

The purpose of this assessment is not to provide a judgement on the sustainability of a company, but rather to outline how much these factors can influence the overall rating, and consequently how significant its exposure to environmental, social and governance risks is. In addition to these specific indicators relating to individual counterparties, geo-sectoral scores are also available, having the purpose of giving specific (but not discriminating) evidence regarding the sustainability of investments by combining the Sector Risk and Country Risk components from an ESG point of view: an example of these scores is the Risk Atlas, developed by S&P.

Some studies, the most famous of which was published in 2019 by the MIT Sloan School of Management "*Aggregate Confusion: The Divergence of ESG Ratings*", have explored the limits of ESG ratings starting from the fact that, in terms of correlation, agency ratings appear to be "alike" in the ESG area only at 61% while the correspondence in terms of Credit Rating is almost total (about 99%), such as in the case of Moody's and Standard & Poor's.

The study highlighted the main reasons why ratings issued by different agencies differ significantly, namely:

- **lack of transparency.** Agencies avoid disclosing comprehensive information on the assessment elements, metrics and evaluation processes of sustainability performance. Furthermore there is no evidence on how these ratings reflect ESG risks with a "forward looking" logic. It is then difficult to understand what they are actually measuring;
- **heterogeneity of criteria.** Each agency tends to develop proprietary models which do not always cover all aspects of sustainability in a balanced way, and above all they tend to consider and aggregate the individual aspects in an uneven way making comparability difficult;
- **lack of homogeneity in metrics.** ESG rating agencies can measure the same concept in different ways. The analysis showed that 53% of the divergences derive from the fact that agencies measure the same categories in a different way and 47% of the divergences are explained by the fact that the aggregation of common data takes place according to different rules. The problem could be solved by sharing data at indicator level and adopting methodologies that are as standardized or easily connectable as possible;
- **adjustments between criteria.** The methods and metrics for calculating ESG ratings present the risk of offsetting high scores in one aspect of sustainability with very low scores in another aspect, generating possible distortions;
- **lack of a given overall score.** Many agencies provide environmental, social and governance scores for each individual aspect, but do not provide an overall score of the company's performance and sustainability risks;
- **lack of materiality analysis.** Although EU regulations explicitly require the performance of a materiality analysis to prioritize the non-financial variables in a given context, the ESG ratings proposed by these agencies do not take into account the different context conditions or the materiality analysis;
- **dubious robustness of the starting data.** Agencies develop the ESG Ratings based on the gathering and analyzing activities carried out by interdisciplinary working groups on publicly available information, with the addition of questionnaires and other information obtained from reports, news, blogs, etc. What can be the wholeness and accuracy of the data used for the calculation?;

- **limited predictive capacity.** Rating systems by most agencies do not satisfy the necessary requirement of forward looking evaluations. It is unclear if and how the expected incurred impacts and costs must be subjected to a sensitivity analysis and if the considered material will enter into the assessment calculation;
- **limited time horizon.** ESG factors, both as potential risks and opportunities, manifest themselves over time spans that are usually longer than those on which risk assessments of a company are carried out. As such, ESG information is often absorbed into qualitative considerations. This choice does not solve the problem of the time horizon, since the ESG components, by their nature and considering the current evolving context, can change over time. A risk that has not been considered as potentially impacting could start to be so only after a choice by the company to start paying attention to it or simply because the information on this risk became available only later;
- **lack of periodic checks.** ESG rating systems merely provide an estimation of the risk profile at a given time and do not envisage periodic checks aimed at verifying the continuation or improvement of the initial risk assessment. These ratings fail thus in capturing the evolution of the level of exposure to ESG risks over time and do not allow for changes to the conditions initially granted in the allocation of equity or debt capital;
- **limited scope of information.** The OECD and the EU are steering the extension of non-financial risk assessment to supply chains as well, but ESG risk assessment methodologies based on publicly available data can only be limited, at best, to companies for which information is available in print, electronic media or other reports. Yet what information can be found on ESG risks on - for example - a small clothing manufacturer in India or China that produces on behalf of a Western brand?

The combined result of all these factors can only create significant divergences between the ratings calculated by different agencies on the same organization under analysis; this shortcoming has favored the development of companies specialized in analysis services and aggregation of ratings calculated on a company by various agencies, with the study of the "degree of dispersion" of the results of different ratings and subsequent formulation of a *consensus rating* to be provided to investors.

To avoid the risk of ESG ratings take on a purely theoretical value, diverse players (agencies, specialized companies) should - in line with good reputation management practices documented in the literature - pursue a higher level of standardization and transparency; Should otherwise uncertainty prevail, the risks of "greenwashing" would grow enormously without the investor or the bank having the means to intercept them.

The present analysis would seem to confirm that ESG ratings by agencies - as currently applied - do not meet the requirements set by the emerging regulatory framework, especially in the EU, and are poorly suited to be involved into the credit risk assessment systems of banks or investors.

2. Methodology

The methodology employed to carry out the present research was characterized by the use of a varied combination of analytical tools. The phases in which the following research work was structured are as follows:

1. sampling;
2. development of surveys and subsequent spread of the questionnaires to companies and the citizenry;
3. carrying out of semi-structured interviews to a specific subgroup of business referees;
4. data analysis and results processing.

We shall now look with some detail at how the different stages of the research were carried out.

2.1 sampling

The preliminary - and most complex - phase of the study involved identifying the sample, which presented a number of problems that are interesting to analyze in view of a better understanding of the reference scenario on ESGs and false ESGs.

At the beginning, the research was meant to investigate the adherence to the best practices in the field of sustainability reporting in the performance of small and medium-sized enterprises within a narrow geographical focus, specifically the North-Western part of Italy (including Piedmont, Valle d'Aosta, Liguria and Lombardy). However, while identifying databases to use as a source for lists of companies which met the established sampling criteria, the research team encountered a first obstacle to data collection. Indeed, the absence of shared standards with which evaluate the performance of companies according to ESG criteria, as well as in public databases, necessarily leads to a certain complexity in classifying and monitoring and, therefore, finding uniform data by research groups. Furthermore, when attempting to dialogue with various research institutes and certifying bodies presumably in possession of needed information, the team came across a surprisingly staunch closure and unwillingness to share the data in their possession, even if requested for mere academic and research purposes.

What happened highlighted from the beginning of the work the problems associated with a non-unified management of ESG data and certifications. Charging individual companies - private and for profit - to issue "ESG certifications" (*rectius*, "ESG ratings") represents an evident flaw in terms of reliability and completeness of the information, as well as posing serious obstacles to obtaining them, since consultancy firms feel the data belonging to them, keeping it under secrecy, by virtue of a strictly marketing-oriented approach. Furthermore, databases maintained by individual companies may not be comparable with each other, making it difficult for investors and stakeholders, as well as research groups, to compare the ESG performance of different companies.

Finally, the absence of a public body tasked with regulating and monitoring the issued certifications makes it difficult to guarantee the quality and reliability of ESG information, leading to a lack of standardization and transparency in assessment methods, which can lead to wrong investment decisions based on unreliable information, and in any case not based on public and shared criteria.

In order to deal with these challenges, it was then decided to maintain the involvement of companies with operational headquarters in the north-west of Italy, as initially envisaged, but to extend the survey sample to companies outside this limited territorial perimeter. The main requirement for a company to be involved in the research was the involvement in rankings of companies registering some type of documentation linked to sustainability or that obtained awards for having implemented virtuous performances on the subject of ESGs.

Objective of the research – positively reached – was to get a cohort of 100 businesses and 500 citizens involved with it.

To this end, the researchers drew data from the following sources:

- the dossier put together by Il Sole 24 Ore and Statista;
- Forbes' list of 100 most virtuous companies on sustainability;
- articles published in national mass media, as resulting from the press review done by the research group;
- reports received from Members of FERPI – Federazione Relazioni Pubbliche Italiana, questioned by publishing a specific notice in the association's WhatApp chat, as well as in response to a specific call published in the form of an article on the Association's website;
- direct signalling from the Study Center of the company Reputation Management, contractor of the present research;

In this phase the team of researchers managed to reach, with a preliminary positive outcome, about half of the 300 companies belonging to the aforementioned lists. During this first stage, the researchers, following a brief explanation of the aims of the research project, asked for the contact details of a company sustainability representative with whom to dialogue in detail about the purposes of the study and then to whom possibly give the questionnaire.

2.2 Development of Surveys and subsequent spread of the questionnaire to companies

During the second phase, following a tuning of the survey tools *ad hoc* created – the details of which will be explored in the following section – the research team dealt with administering the questionnaire for companies, which was structured in 40 questions with a mix of open-ended and closed-ended question items.

The researchers, following a first contact with the company and the subsequent interview with their sustainability representatives, delivered them the questionnaire. During the entire process, the team had the task of monitoring the status of compilation of said questionnaires, having care to issue specific reminders and prompts for compilation after some time.

Monitoring of given answers during the compilation phase, done through the Mailchimp application, was also useful in verifying that the respondents did not invalidate the questionnaire with incorrect or partial compilations.

Thanks to the collective effort and in spite of the initial setbacks in outlining and making contact with the survey sample, the research team reached the pre-set target of 100 responding companies, thanks also to the precious contribution of some multipliers who disseminated the link of the research on a nationwide scale.

2.3 Proposal for a semi-structured interview

The next stage consisted in a thorough examination, through one-to-one interviews, of the issues that emerged during the compilation of the survey

The companies to be included in the group related to this second phase were selected among the businesses that gave authorization to publicly associate their name as participants in the research, specifically those that accepted the proposal to participate in the next phase of semi-structured interviews within the restraints foreseen by the time schedule of the research itself.

It was then decided to follow a semi-structured interview based method with 11 questions, so as to be able on the one hand to deepen the topics investigated in the interviews with the sustainability representatives, and on the other to deepen the aspects of greater relevance for that specific respondent (this investigation will be further explained in detail in the next dedicated section).

This phase envisaged a qualitative study in which the company representatives were able to interface directly with the interviewer, going into detail about the tools for promote their ESG performance and the related "certifications".

Out of 100 respondents to the questionnaire, the research team investigated these issues with 10% of the sample, on the lines of the previously approved research. It is worth mentioning that the companies available for this further phase of the investigation were mostly B Corp certified businesses or Benefit companies[44].

[44] B Corp businesses and Benefit companies are establishments committed to combining their core business with a positive impact on society and the environment. They stand out for their willingness to comply with precise environmental, social and governance (ESG) standards, which evaluate the impact of companies on society and the environment. Their predisposition to comply with ESG indexes makes B businesses/Benefit companies leaders in sustainability and corporate social responsibility. These types of companies are becoming increasingly popular with investors looking for opportunities that offer a balance of financial return and positive impact on society and the environment. However, the Bcorp certification methods have raised a heated debate in the academic field regarding their reliability, accuracy and credibility: a critical analysis can be found at this link https://creatoridifuturo.it/articoli-luca-poma/certificazione-b-corp -a reliable-accurate-and-believable-ethical-assertion-nine-reasons-to-currently-doubt it/

2.4 Propagation of the "for people" questionnaire

Alongside the structured survey meant for companies, a different survey was created and spread to a sample of citizens, concerning their perception of ethical standards of companies. Emphasis was carefully given to (real or presumed) genuineness and reliability of the ethical statements of sustainability by companies, there being a specific focus on the "S" part of the ESG model, comparing the EU scenario with the more specific scenario of the North-West of Italy.

As part of the objectives of the research, it was included that of investigating the **social** impacts of corporate sustainability claims, and deepening the understanding of the perception by the citizenry of these aspects (equal pay for men and women, gender discrimination, treatment of minorities, greenwashing hypotheses, etc.).

The survey was developed for the occasion and it was structured on the Mailchimp platform as well. It was spread in the areas within the north-western Italy District (Piedmont, Valle d'Aosta, Liguria and Lombardy) through digital channels as well as on the territory through:

- specific native Social promotions, particularly on Facebook, with campaigns that had a targeting on the territory of the North-West of Italy;
- distribution through the newsletter promoted by Creatoridifuturo.it, an online magazine registered in the Press section of the Court of Turin, which collaborated in the spread of the surveys;
- filling of questionnaires on the territory, by being present 2 days in the historic center of Turin and 1 day in the center of Milan with the aid of 4 collaborators.

Through the online activities we obtained a total of **254** participations (of which 14 were incomplete and had to be ignored with respect of the statistical survey). The period of online distribution of the questionnaires was 3 months: from December 2022 to the entire month of February 2023. The online compilations were mainly obtained through a promotion on Facebook aimed at the most general public possible, therefore without distinction of age, wealth, gender etc. provided respondents were residing in the focus area (Piedmont, Liguria, Lombardy, Valle D'Aosta).

The remaining **246** participations were collected by two teams of interviewers (two boys and two girls, all with a three-year university degree, intentionally chosen because of the lack of any expertise in ESG matters, therefore unable to influence, even involuntarily, the answers of the interviewees), on 27 February and 2 March 2023, in Milan and Turin, i.e. the main cities of the territory covered by the study. The area in which they operated was for both teams the central area, attended by residents but also by numerous "city users" from the regional territory (mainly Piedmont and Lombardy).

2.5 Data Analysis

In the course of the interviews, the company representatives were strongly willing to delve into the subject of ESG indices and ethical statements of sustainability, while also underlining the difficulties encountered first hand in having to "certify" one's own ESG performance.

To ensure effective analysis of the data collected through the SurveyMonkey online survey, various techniques and tools have been used. A "cleaning" of the raw data was carried out to guarantee the integrity, accuracy and homogeneity of the information collected: Microsoft Excel was used, applying the Pivot table technique, thus guaranteeing a structured and efficient data analysis, calculating also the percentages of the answers and allowing a more accurate and comparable analysis. Finally, explanatory tables and graphs have been created to present the results in an effective, clear and direct way even to a non-expert reader, thus being consistent with the educational spirit of this research work. Once the analysis was completed, food for thought was clearly identified, making it possible to better understand the results obtained, and recommendations that could help improve other similar investigations in future occasions were provided, recommendations useful just as well in the planning work of public institutions and decision-makers on these highly topical issues.

3. Survey tools

3.1 Survey for companies

The survey for companies was the most complex and challenging to structure. In fact, the difficulties that emerged during the sampling phase[45] required a great deal of thought and analysis in structuring a questionnaire that would be able to investigate approaches, methods and standards in the reporting of non-financial aspects, in order to intercept strengths and weaknesses of the practices currently deployed by companies in ESG-related corporate performance reporting.

The questionnaire included 42 questions, of which:

- 6 open-ended;
- 28 closed-ended;
- 8 mixed.

Depending on the response, the questionnaire led to different paths with additional questions (e.g., if one answered positively to the question about completing the sustainability report, specific questions were asked about that issue).

With the following list we lay out the whole set of questions in the survey:

1) Enter company name;
2) Do you want - including for the purpose of your communication efforts - your company name to appear in the survey?
3) In what market segment does your company operate?
4) In your opinion, are sustainability issues (in these three aspects: social, environmental, and economic) driven by the Board of Directors (or Governance bodies)?
5) In your personal opinion, is your company concretely attentive and active about the issue of sustainability?
6) How long has your company taken the first concrete steps toward a sustainability path?
7) What is the size of your company?
8) If you are below the legal thresholds for mandatory reporting, do you still write a sustainability report/non-financial statement etc.? (question for companies who responded that have fewer than 250 employees)
9) Given the evidence that non-financial reporting can act as a business accelerator, would you consider writing it anyway if you were properly accompanied by a public institution/trade body etc.?

[45] See paragraph 2.1

10) If you are below the legal thresholds for mandatory reporting, do you still write a sustainability report/non-financial statement etc.? (question for companies who responded they have less than between 250 and 500 employees)

11) Given the new CSRD directive will lower the mandatory limits for non-financial reporting from 500 to 250 employees, do you think your company is ready to meet these new obligations?

12) Is your budget: (social; integrated);

13) Your company's sustainability report is: (uncertified. Information on non-financial aspects and risks is still collected, processed and disclosed without explicit reference to recognized sustainability reporting standards; uncertified. Information is collected, processed and disclosed in accordance with international sustainability reporting standards (e.g., GRI) without external verification (External Assurance); validated (External Assurance). Certification is issued by an entity with recognized competence and in accordance with standards that conform to international norms.);

14) Validation was based on: (analysis of documents and evidence produced by the company by the certifier; questionnaire self-completed by the company; a specific audit conducted in the company);

15) In the latter case, how long did the audit process last?

16) Did the audit conducted in the company take place: (By appointment with the certification body; With surprise inspection by the auditor);

17) Does your company have a designated person in charge of sustainability processes?

18) Does the employee deal with sustainability: (full time; part time);

19) What other proxies does the above employee deal with?

20) In addition to an employee/collaborator in charge of sustainability, are you aware if your company does also have an advisor on the BoD responsible to coordinate sustainability strategies?

21) In what way is the entire Board updated by the sustainability coordinator about ongoing projects?

22) How often do the sustainability employee and the managing director meet to develop projects and initiatives on sustainability strategies?

23) Is there an internal body dealing with sustainability (committee, dedicated team, etc.)?

24) Does the company have an ESG rating?

25) Does the company have an ESG certification? (for companies that answered they have an ESG rating)

26) Does the company have a genuine ESG Certification? (for companies that answered that they do not have an ESG rating)

27) Has it been recognized through: (an assessment; a validation; a cetrtification)

28) Has the assessment/validation programme under which the sustainability-ESG certification/rating was issued been positively assessed for accreditation purposes against international standards by recognized bodies (e.g. Accredia)?

29) As part of the certification/rating, the company was examined by means of: (verification of historical data + verification of internal control processes; verification of historical data + verification of internal control processes + confirmation of plausibility of assumptions on the basis of which risks with a future impact are assessed);

30) Has your company's conformity assessment/validation been issued in compliance with standards issued by recognized bodies (international standard ISO/IEC, European standard CEN-CENELEC, national regulation UNI-CEI, etc.)?

31) Has the verification/validation program with which your company has been evaluated considered: (only aspects concerning impacts of an environmental nature; also significant aspects of governance and management system, social responsibility, health and safety, environmental and business ethics; also other)

32) The elements validated/verified by the program have been examined: (paying particular attention to those that have relevance in the specific context in which the company operates (materiality analysis); with the same balance and "weight", regardless of the company's reference context)

33) Have the elements validated/assessed by the program been examined considering the adverse impacts deriving from the correlations existing between the various elements?

34) Did the assessment/validation program your company underwent include the use of the results of the materiality analysis in the processes of defining policies, objectives, strategies, risk management, monitoring and review?

35) Was the output of your company's sustainability assessment/validation process of the following type: (binary; "quantitative or semi-quantitative" with a metric expressing a "level of performance")

36) Was the assessment/validation process carried out through the collection of documents to verify the company's approach to sustainability issues?

37) Was the assessment/validation process carried out through the collection of physical observations at the company's premises to confirm assessments and information?

38) Was the assessment/validation process carried out by collecting interviews with company key-personnel?

39) If the answer to the previous question is YES, how many interviews - indicatively - were carried out?

40) What is the percentage of personnel interviewed?

41) Does the verification/validation program your company underwent provide for periodic monitoring of the company's performance on sustainability issues?

42) Is there any suggestion, observation, indication or comment you would like to pass on to us regarding the topics covered by this research?

3.2 Survey "for people"

The questionnaire to citizens was structured with two specific focuses: on the one hand to investigate citizens' level of knowledge and awareness in the field of environmental, social and corporate governance sustainability, and at the same time to obtain a snapshot of their perception of the genuineness of companies' ethical claims, in particular by delving into the so-called 'S' aspects, i.e. the social ones, with a view to verifying companies' declarations on the entire set of 'sustainability claims'.

The questionnaire for people was administered anonymously to citizens, however age and educational qualification were asked in order to better investigate whether and how these indicators have an impact on the survey topics. During the data collection phase, twenty-two questions were asked of the participants, of which:

- 22 closed-ended;
- 1 open-ended.

The questionnaire was structured as follows:

1) Your age group;
2) Your educational qualification;
3) Gender;
4) Do you know what the acronym ESG (Environmental, Social and Governance) means?
5) What do you think is your level of knowledge/preparation on the topic of environmental sustainability?
6) What do you think is your level of knowledge/preparation on the topic of social sustainability?
7) What do you think is your level of knowledge/preparation on the topic of economic sustainability and corporate governance?
8) How important do you think it is to adopt practices that enable business to be truly sustainable?
9) What is your level of trust in sustainability statements by companies (e.g. statements on the company website, advertising statements, statements on product packaging, statements in official company documents, etc.)?
10) To what extent do you think that companies use the topic of sustainability more for advertising and marketing purposes?
11) How important do you think it is that companies openly declare their intentions and actions regarding sustainability to the public?

12) How often do you check companies' statements on the sustainability of their products?

13) How often do you check companies' sustainability reports?

14) How encouraged would you be to find out about the sustainability of products and companies, and thus orientate your purchases, if they published clear, easily accessible, comprehensible, concrete and sincere information?

15) How important do you think it is for companies to have sustainability certifications issued by truly independent third parties?

16) Does the possession of a Sustainability Certification by a company strengthen your confidence in it?

17) How much could the inclusion of sustainability claims of products/services influence your purchasing choices, if you were certain that these claims were true and genuine?

18) Have you ever come across products/services in which attention to sustainability issues is highlighted using the acronym "ESG"?

19) How easily do you think information about companies' commitment and goals on sustainability issues (environmental, social, etc.) is available to the general public?

20) How important do you consider more specific 'sub-themes' related to social sustainability (e.g. gender equity and equality, working conditions, anti-poverty, anti-discrimination, etc.) to be, and therefore how important is it for companies to address them?

21) Do you think companies are doing enough on the topic of social sustainability (e.g. gender equity and equality, working conditions, anti-poverty, anti-discrimination, etc.)?

22) What is the dimension of sustainability in which you think companies are currently most engaged, as far as you can perceive?

23) Is there anything else you would like to tell us about these topics?

3.3 Semi-structured interviews

Semi-structured interviews, as widely known, are a useful research tool for analyzing the context of certification and ethical sustainability claims. This type of interview allowed the team in charge of the study to gather in-depth information on the behavior of companies and the perceptions of sustainability referents on the compliance with ESG indices, as well as the knowledge and attitudes of companies towards sustainability.

The interviewees provided information on their experiences with ESG reporting and certification, sources of information used to assess the sustainability of a product or service, perceptions of the systematization of ESG standards by national and EU institutions, and their concerns and expectations regarding sustainability. Thanks to the flexibility of this type of interview, the researchers were able to highlight relevant themes and questions, obtaining detailed information that, when combined with the structured questionnaire and citizen survey, allowed them to take a snapshot of one aspect of the complex phenomenon of ethical sustainability claims, greenwashing and sustainability.

The semi-structured interviews consisted of two questions, one operational (Would you like your company's name to appear in this research?) one descriptive (In which sector does your company operate?) and then 8 open-ended questions ranging from questions about the operations of the company to personal perceptions on the culture of sustainability at national and EU level.

The 8 questions were as follows:

1) From your point of view, in relation to your corporate experience, what are the biggest obstacles your company faces regarding the reporting of its sustainability efforts?
2) What do you think about the current, growing attention around the topic of ESG indices?
3) Do you think that the culture regarding sustainability issues among citizens and companies is sufficiently rooted?
4) What do you think should be the responsibility of those who do business with regard to sustainability issues?
5) How important is it for your company to achieve virtuous performance with regards to Environmental Social and Governance (ESG) aspects?
6) Do you feel that there are no common standards on the subject or do you think that the ESG area is sufficiently regulated?
7) Do you know any Italian or European ESG certification institutions? Do you think that public institutions should devote more attention to the dissemination of ESG-related culture?

8) Do you think that public institutions should devote more attention to vigilance against the phenomena of "false ESG", greenwashing, non-genuine declarations, etc., including possibly sanctioning companies guilty of deliberate malicious intent in ESG declarations?

4. Results

In this chapter, the statistical results of the two surveys and what emerged in the semi-structured interviews with corporate sustainability chargée will be reported.[46]

4.1 Survey for companies analysis

One hundred and three responses were collected in this study, which, following a process of data hygiene and cleaning, resulted in a total number of 100 responding companies.

Graph 1: general data

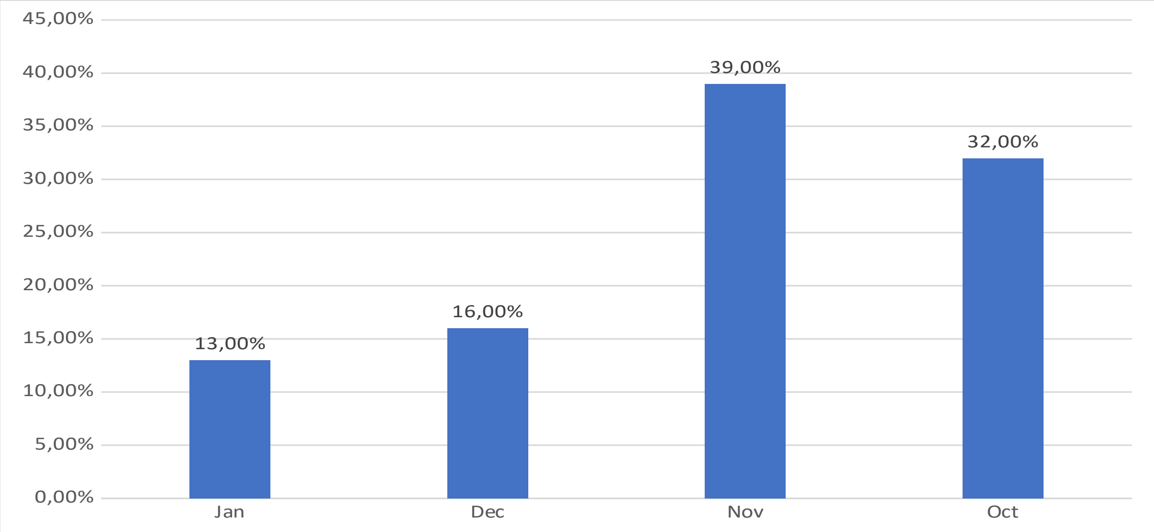
One hundred companies Various industrial sectors	
Seven minutes Average completion time	
80% complete Average percentage of completion	

The administration and data collection window was from October 24th 2022 to January 27th 2022, a total of three months and three days. November was the month with the highest redemption to the questionnaire.

[46] The transcript of the interviews can be found in full in the appendix.

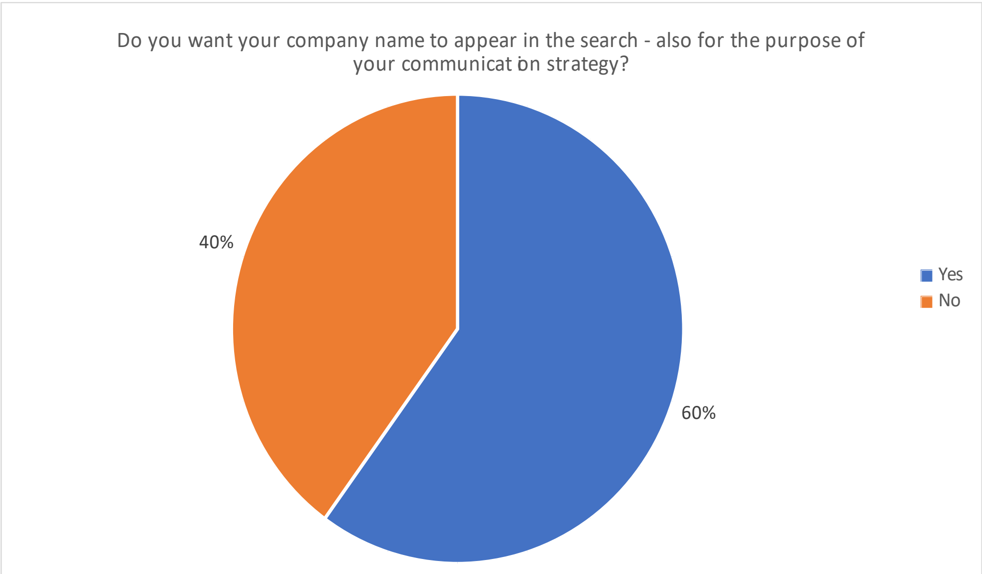
Q1: companies were asked to tell us their name so that we could monitor the progress of the responses.

Graph 2: Dates of data collection per month



Q2: 40.00% of the companies surveyed chose not to make their names public for communication and research promotion purposes. These will be referred to as 'opt-out companies'.[47]

Graph 3: Companies appearing in the research



[47] The list of opt-in companies can be found in the appendix.

Q3: The responding companies belong to thirty-eight different market segments. Most are from the communication and marketing industry (13.00%); followed by manufacturing (9.00%), consulting (7.00%), food (5.00%) and energy (5.00%).

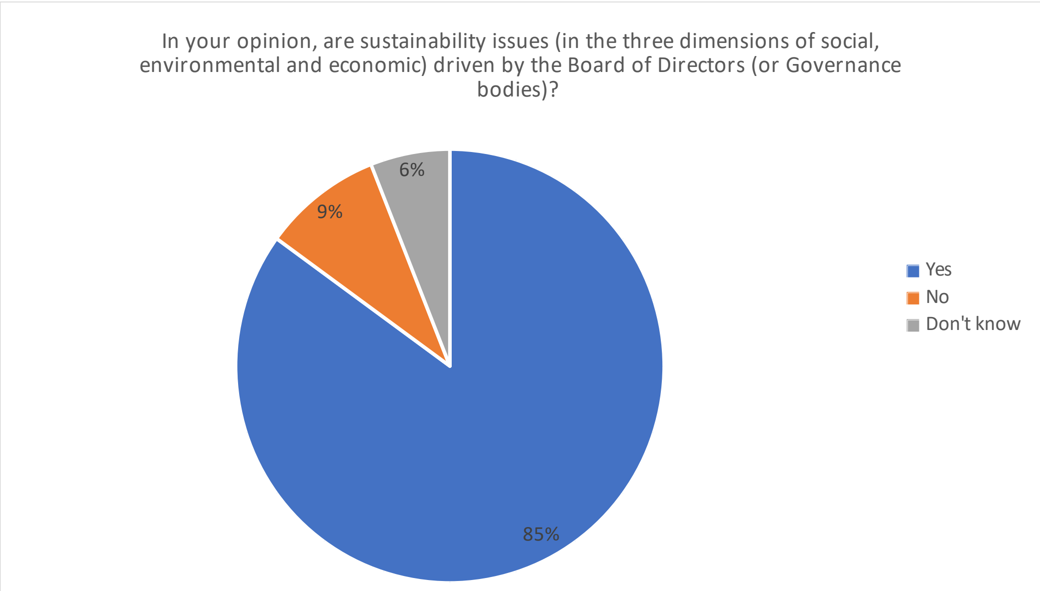
Table 1: Market segments

Market segments	Results	Percentage
Communication	13	13,00%
Manufacturing	9	9,00%
Consultancy	7	7,00%
Energy	5	5,00%
Food	5	5,00%
Education	4	4,00%
Technology	4	4,00%
Environmental Development	4	4,00%
Cosmetics	3	3,00%
Metalmechanics	3	3,00%
Water Services	3	3,00%
Banking	3	3,00%
Catering	3	3,00%
Development Cooperation	3	3,00%
Jewellery	3	3,00%
Construction	2	2,00%
Tourism	2	2,00%
Culture	2	2,00%
Building	2	2,00%
Transportation	2	2,00%
Entertainment	1	1,00%
Public Services	1	1,00%
Services	1	1,00%
Railways	1	1,00%
Environmental engineering	1	1,00%
Mechanics	1	1,00%

Health	1	1,00%
Finance	1	1,00%
Textile	1	1,00%
Nautical	1	1,00%
Automotive	1	1,00%
Hospitality	1	1,00%
Thermohydraulics	1	1,00%
Environmental research	1	1,00%
Alcoholic Beverages	1	1,00%
Environmental Hygiene	1	1,00%
Aerospace	1	1,00%
Informatics	1	1,00%
Total	**97**	**100.00%**

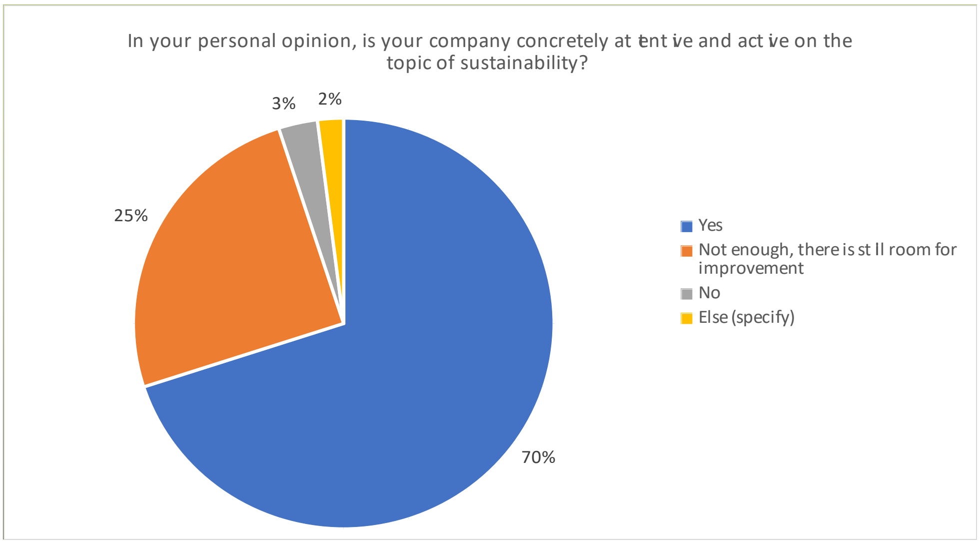
Q4: When respondents were asked whether they believed that sustainability issues (in the three dimensions of social, environmental and economic) are driven by the Board of Directors; 84.00% indicated yes. The remaining 15.00% answered not sure or no.

Graph 4: Board of Directors as responsible for environmental issues



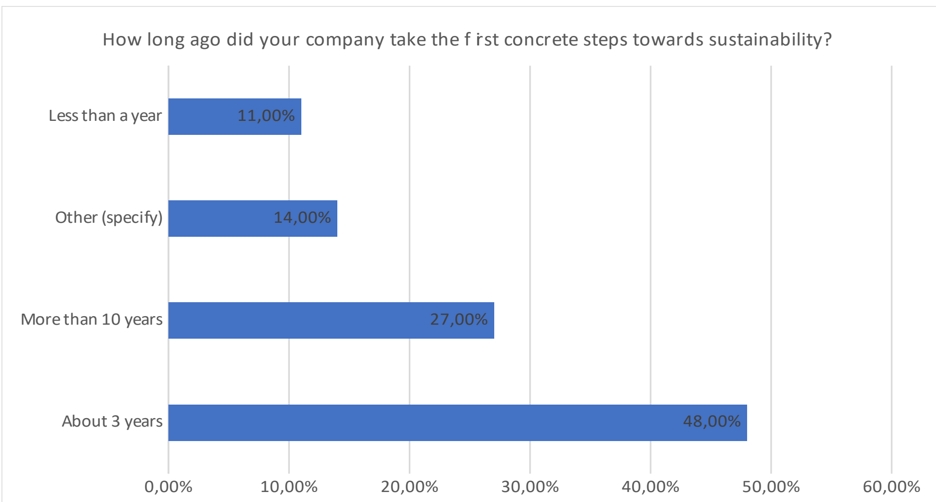
Q5: In addition, 70.00% of the companies surveyed considered themselves to be particularly sensitive and proactive on the subject of sustainability, while 25.00% pointed out that they are involved in the topic, but with room for improvement; and 3.00% answered that the company is definitely inactive. Among the specific answers (other), one answer stands out in which the company stated that sustainability is the company's mission and is therefore governed by it.

Graph 5: Importance of sustainability in the company



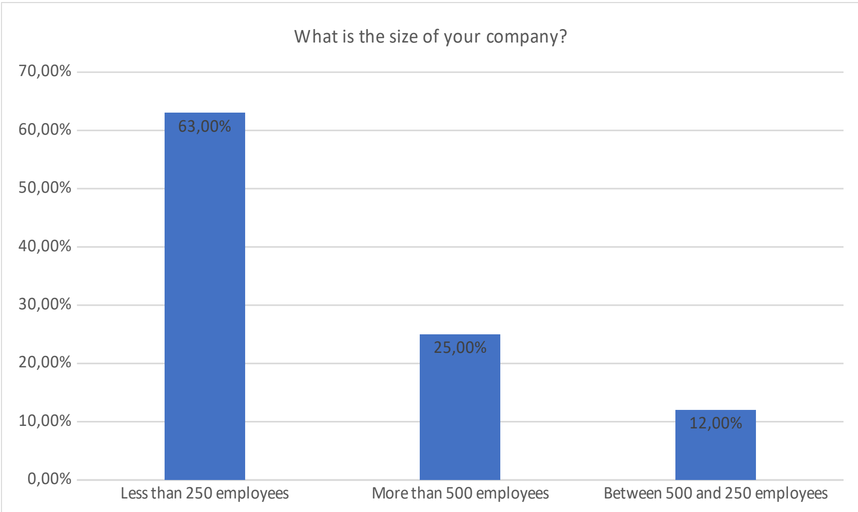
Q6: Respondents were asked to state how long ago they decided to take the first steps towards a more sustainable future. The majority (48.00%) said they started about three years ago. The second largest group (27.00%) answered that they started this process more than ten years ago. 11.00% indicated that they had begun to take action in a sustainable direction less than a year ago. Among the open answers ('other'), two opposites stand out: one company states that it has been following the principles of sustainability since its foundation, the other states that it has done nothing concrete in this area.

Graph 6: Beginning of actions towards sustainability



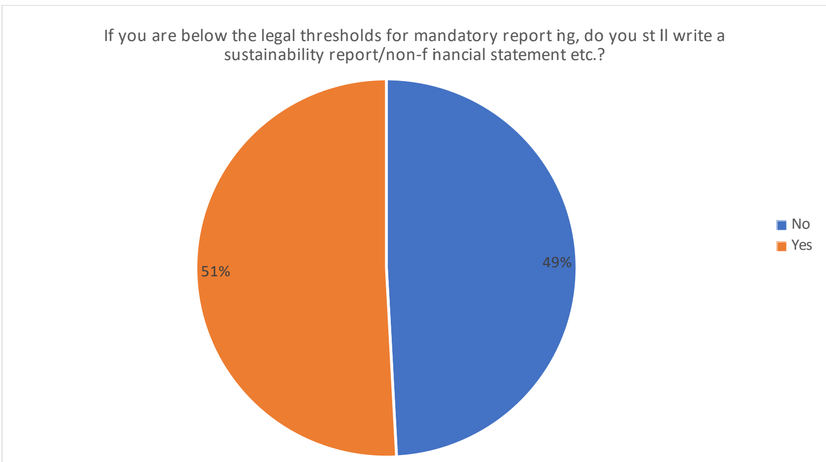
Q7: The workforce of the majority of the companies surveyed (63.00%) is less than two hundred and fifty employees. While 25.00% and 12.00% indicate having more than five hundred employees and between two hundred and five hundred workers. Therefore, the majority of respondents to this survey are SMEs, which is representative and in line with the Italian entrepreneurial fabric.[48]

Graph 7: Number of workers in the companies surveyed



Q8: Companies with less than two hundred and fifty employees and below the legal thresholds for mandatory reporting (59.00% of respondents) answered in a slight majority (50.85%) they write a sustainability report/non-financial statement, while the rest (49.15%) stated they do not write them.

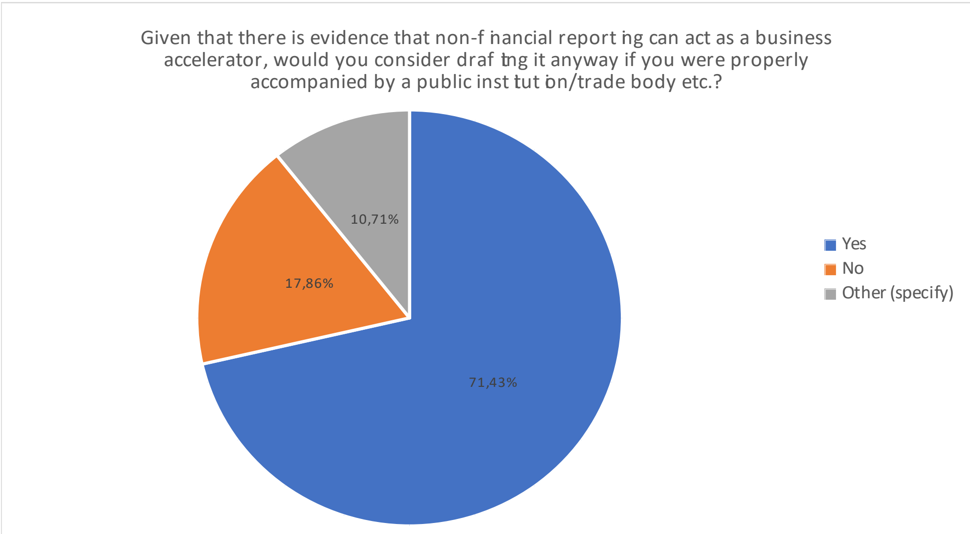
Graph 8:Sustainability reporting (less than 250 employees)



[48] Of the 4.4 million enterprises that make up the Italian entrepreneurial fabric, 95% are micro enterprises, i.e. those with fewer than 10 employees. This is closely followed by small and medium-sized enterprises (SMEs), which have between 10 and 249 employees and account for 4.9% of the total, and finally by large enterprises with over 250 employees, which account for the remaining 0.1%. (source: Osservatorio Innovazione Digitale nelle PMI, 2020)

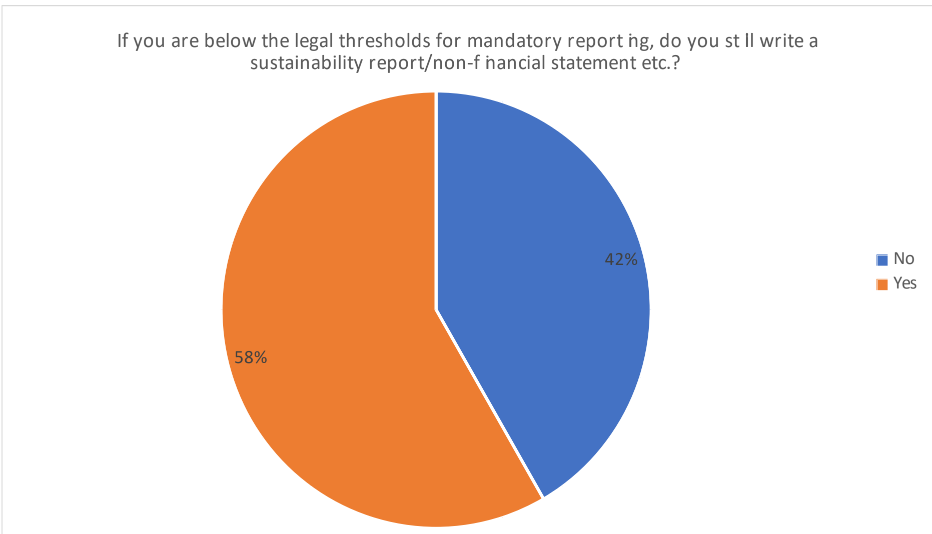
Q9: Companies with fewer than 250 employees who stated they do not prepare sustainability reports/non-financial statements were asked whether they would be willing to change their minds if they were adequately advised by an institution (in light of evidence showing that non-financial reporting can act as a business accelerator). The answers were overwhelmingly positive (71.43%) and only 17.86% said they would not. 10.71%% (3 respondents) responded with other clarifications stating uncertainly, that they see reporting as a future objective or that they are already in the process of developing and implementing reporting.

Graph 9: drafting of non-financial reporting (fewer than 250 employees)



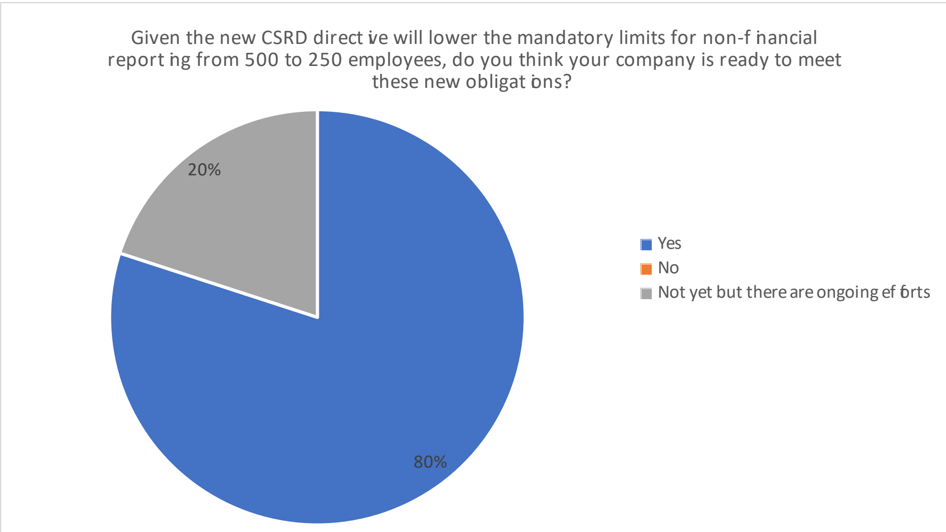
Q10: Companies between two hundred and fifty and five hundred employees (12.00% of respondents) - thus still just below the legal thresholds for mandatory reporting - responded with a slight majority (58.33%) that they chose to engage in sustainability reporting/non-financial reporting, while just under half (41.67%) said they did not.

Graph 10: sustainability reporting (250-500 employees)



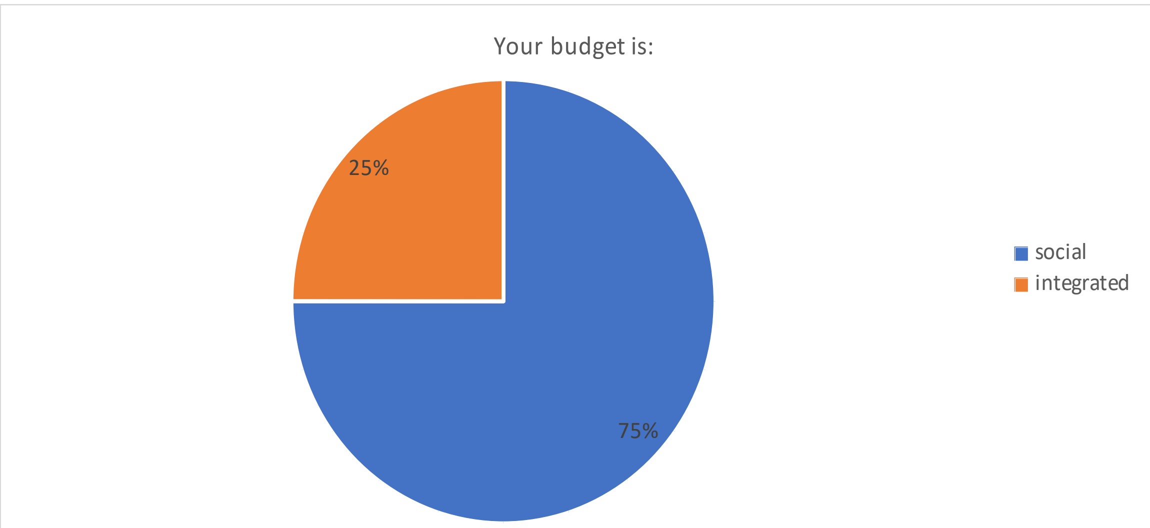
Q11: Given the regulatory change brought about by the new directive on non-financial reporting which will reduce the mandatory thresholds from five hundred to two hundred and fifty employees, it was decided to ask companies (with 250-500 employees) who responded that they did not prepare sustainability reports whether they believed their company was ready to meet these new requirements. 80% of the respondents said they thought they were ready, 20% said they were not yet ready but had undertaken activities to prepare themselves, so none said they did not think they were ready.

Graph 11: Preparedness for the new CSRD (250-500 employees)



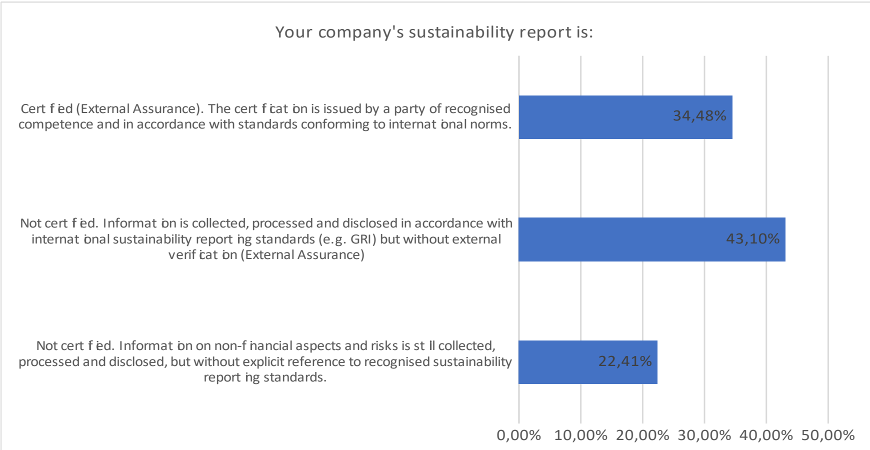
Q12: Companies (with 250-500 employees) that answered they had drawn up sustainability reports were asked about the type of report published. Seventy-five % answered that they prepared a social report, the remaining 25 % an integrated one.

Graph 12: Type of reporting (250-500 employees)



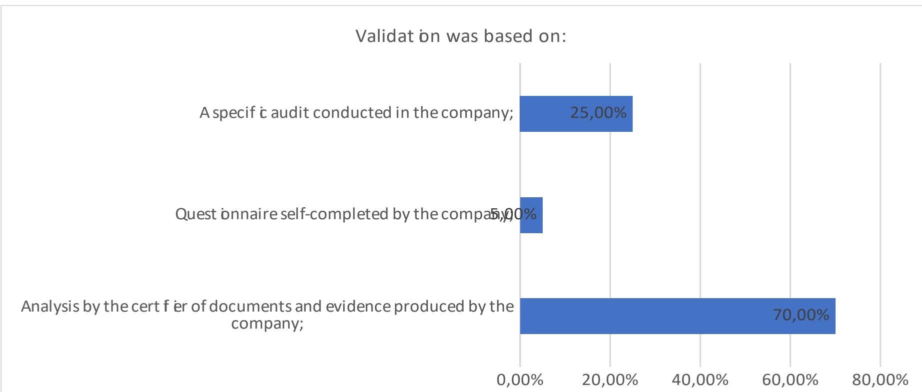
Q13: Companies with more than five hundred employees - therefore legally required to draw up the non-financial statement - were instead asked whether these reports were: non-certified (1) in which information on non-financial aspects and risks are in any case collected, processed and disclosed but without explicit reference to recognized sustainability reporting standards; non-certified (2) in which information is collected, processed and disclosed in accordance with international sustainability reporting standards (e.g. GRI but without external verification (External Assurance) through a certification issued by a recognized body and in accordance with international standards. GRI) but without external verification (External Assurance) or validated (External Assurance) through a certification issued by a party of recognized competence and in accordance with standards conforming to international norms. The responses were 22.41% for the first option, 43.10% for the second and 34.48% for the last.

Graph 13: Type of sustainability reporting (More than 500 employees)



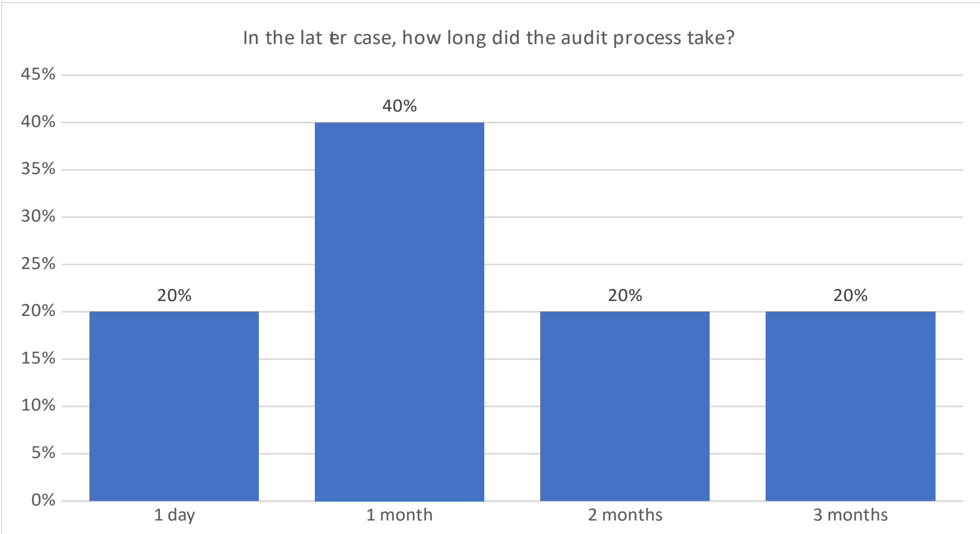
Q14: Companies that answered they had sustainability reports validated by an external certification company were asked to specify whether this validation was based on the certifier's analysis of documents and evidence produced by the company, on a self-completed company questionnaire, or on a specific audit carried out in the company. The majority of these companies (70.00%) indicated that validation was based on the first option, 5.00% chose the second option and 25.00% the third.

Graph 14: Basis for external validation



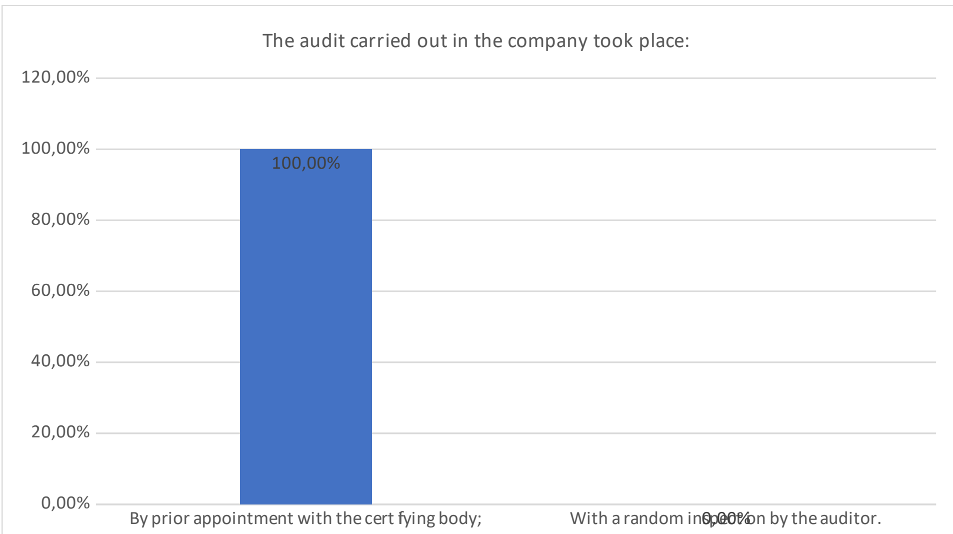
Q15: Those who stated that the validation was based on a specific audit carried out in the company were asked how long the audit process lasted: 20 % indicated that it had lasted one day, 40 % one month and 20 % two months, while the remaining 20 % indicated that they had undertaken a three-month process.

Graph 15: Duration of audit process



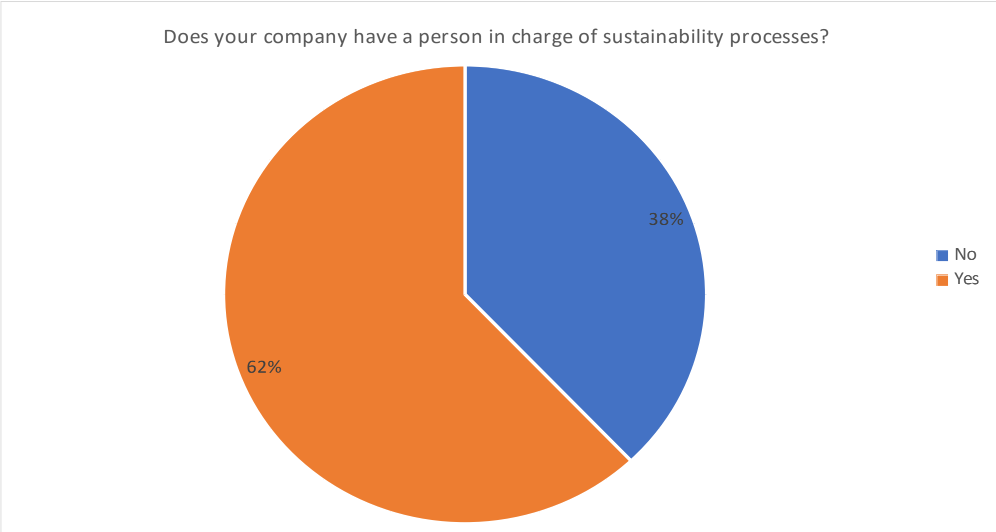
Q16: The same group was also asked whether the audit at the company occurred after an appointment with the certification body or with an unannounced inspection by the auditor. 100% of the respondents opted for the first option.

Graph 16: Type of audit



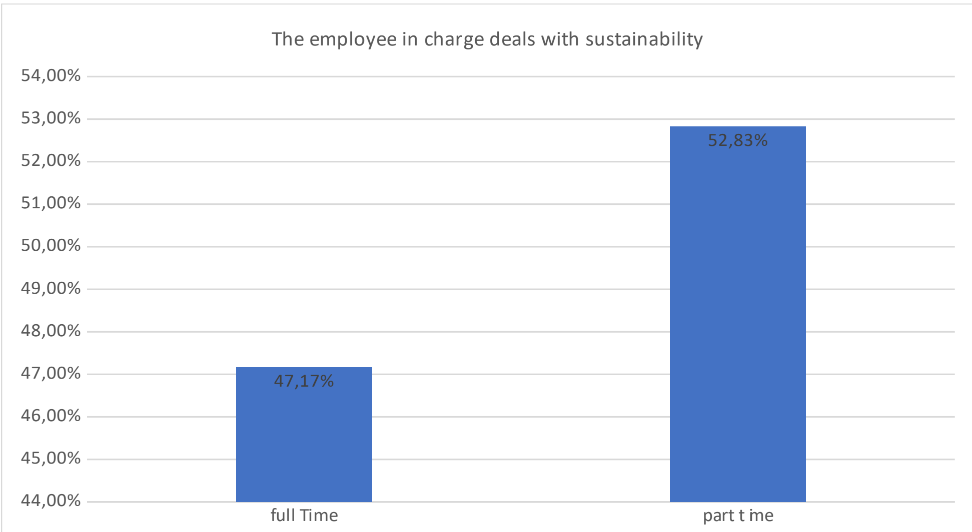
Q17: All companies were asked whether there was a person in charge of sustainability in the company's workforce: 62.07% reported having one, while the remaining 37.93% said they did not.

Graph 17: Presence of a person in charge of sustainability



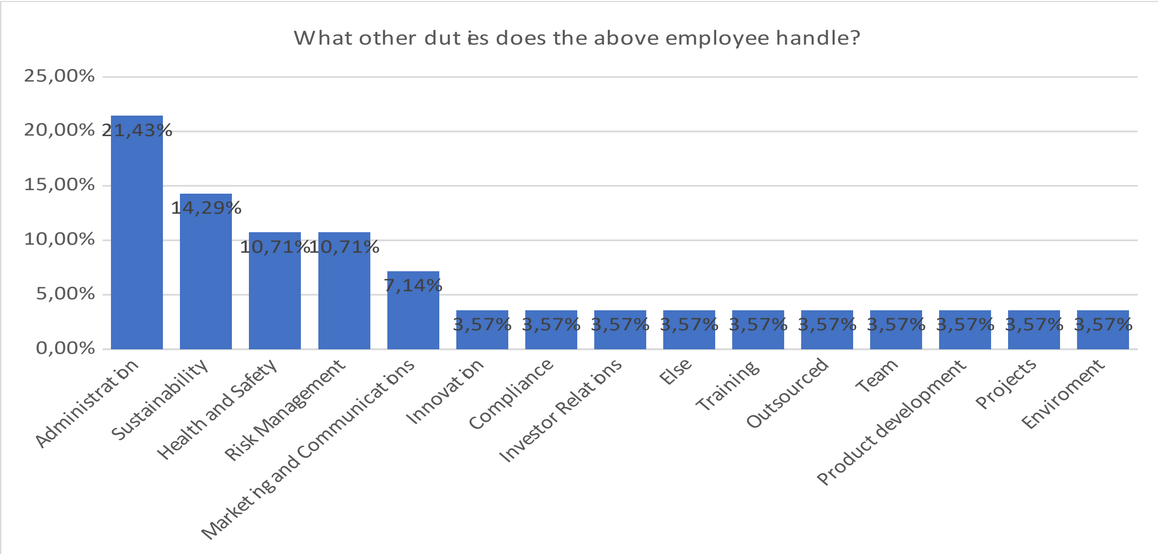
Q18: Those who responded they had a person in charge, were asked to specify whether the person dealt with sustainability full-time or part-time: 47.17 % said the person in charge deals with this specific area full-time, while the remaining 52.83% said he or she deals with it part-time.

Graph 18: Commitment of the sustainability employee



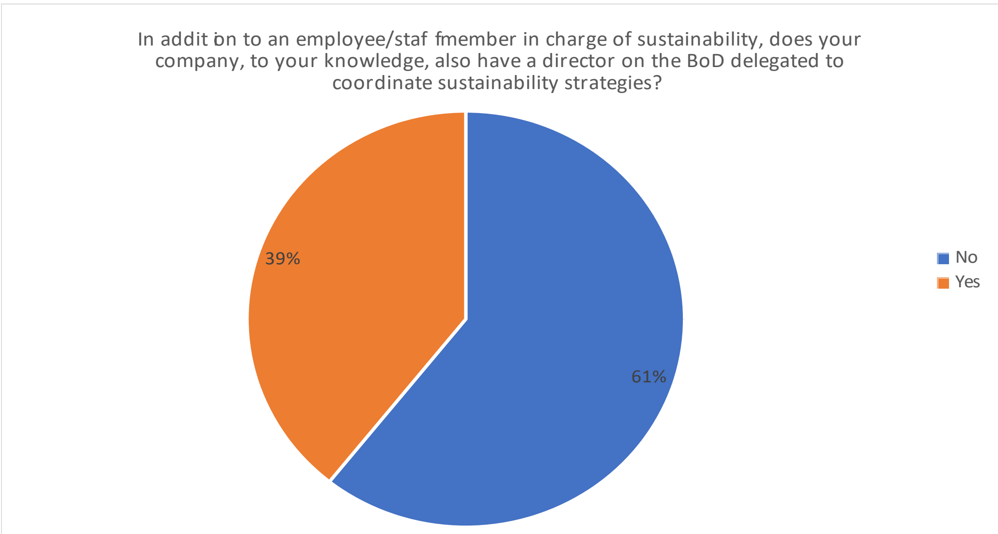
Q19: To the percentage of sample respondents who answered part-time it was asked what other responsibilities the said employee was involved in: 21.43% indicated that he or she was involved in administration; 14.29% said that the person deals entirely with sustainability; 10.71% said that he or she also deals with health and safety; and the same sample percentage with risk management.

Graph 19: Other duties of the sustainability employee



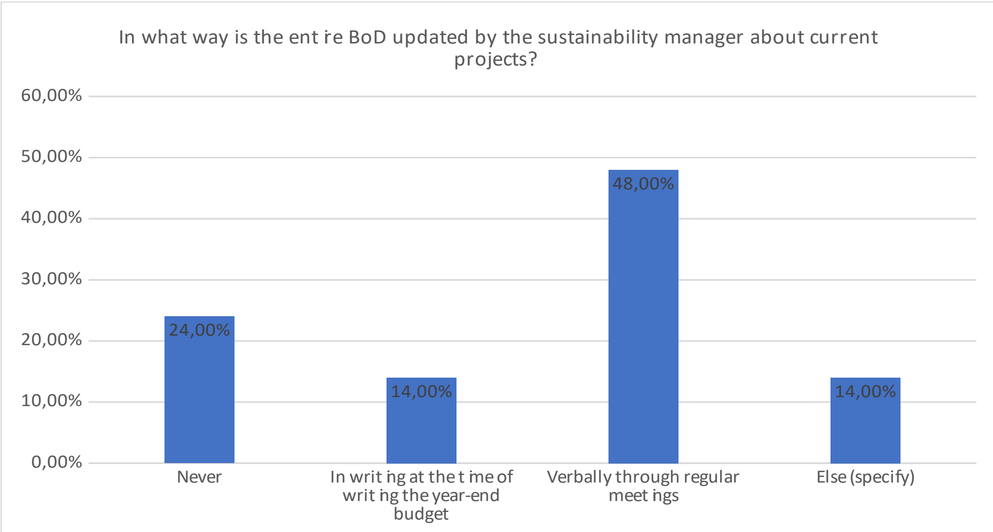
Q20: Those who answered they have a sustainability employee were asked whether, in addition to the employee in charge of that position, the company also had a director on the Board of Directors responsible for coordinating sustainability strategies. 39.29% indicated the presence of a managing director, while the majority (60.71%) did not have one.

Graph 20: Existence of a director on the BoD responsible for sustainability strategies



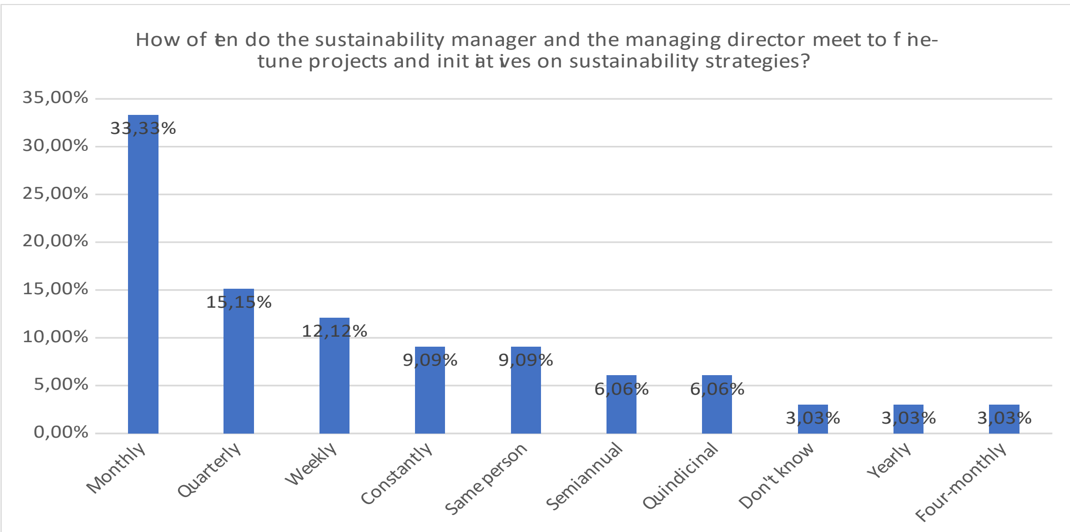
Q21: The companies that said they do not have a sustainability advisor on the BoD were asked how the entire board is updated by the sustainability employee on ongoing projects. Most (48.00%) reported that it was verbal reports through regular meetings, and 24.00% said this never happens. The rest of the sample (28.00%) were evenly divided between "in writing at the time of writing the end-of-year budget" and other (periodic, project-based, reports, etc.).

Graph 21: Mode of communication to the BoD



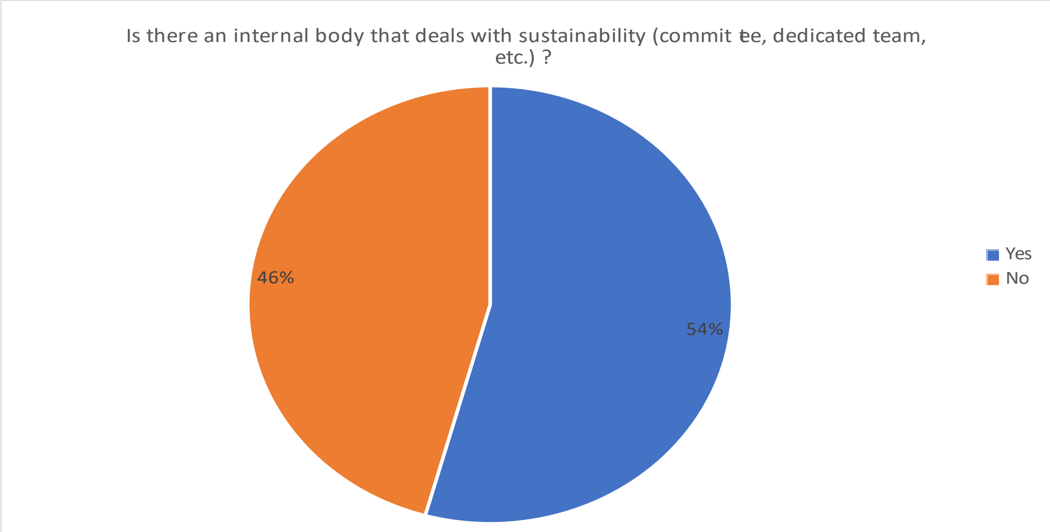
Q22: Those who reported having a managing board director on the BoD were asked about the frequency of meetings between they and the sustainability incharged to discuss projects and strategic initiatives. Most (33.33%) reported meeting monthly, the second most common response was quarterly (15.15%), and the third most common response was weekly (12.12%).

Graph 22: Frequency of meetings between the chargée and the managing director



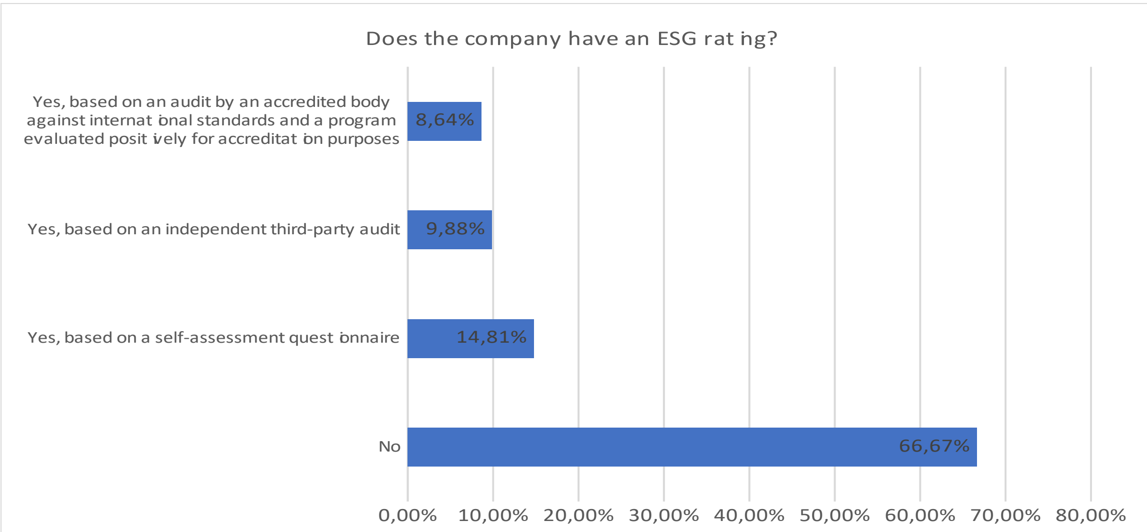
Q23: Respondents were also asked whether there is an internal body that deals with sustainability (committee, specialized team, etc.); the most selected answer was yes (54.32%), while the remaining 45.68% answered no.

Graph 23: Existence of an internal body specializing in sustainability



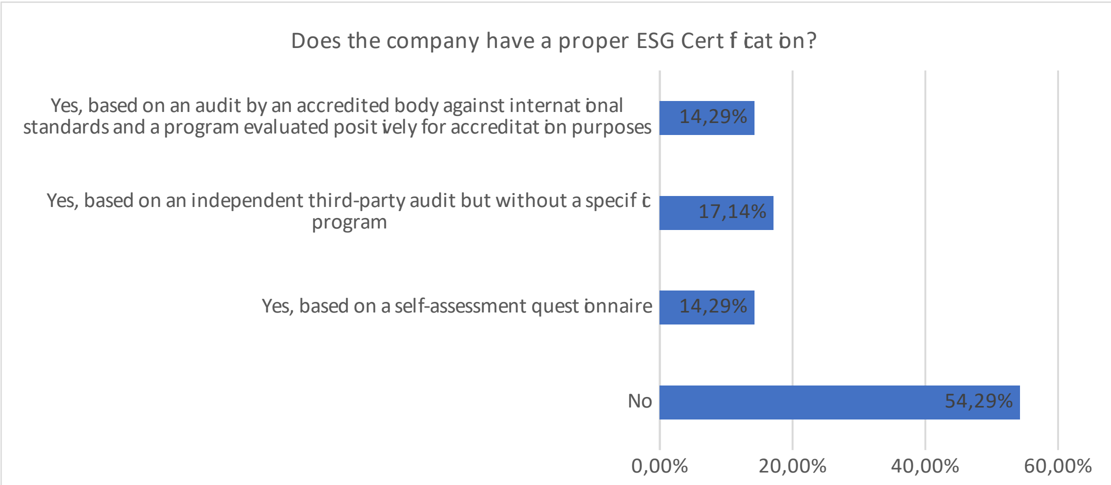
Q24: Companies were asked if they have an ESG rating. Most answered no, with a total of 66.67% of responses. In second place (14.81%) were those who answered yes and that this rating is based on a self-assessment questionnaire. The third most common response (9.88%) from companies that said they have a rating based on an independent third-party audit. Only the minority (8.64%) indicated that they have an ESG rating based on an audit by an accredited body in accordance with international standards and a program that has been positively evaluated for accreditation.

Graph 24: Presence of an ESG rating



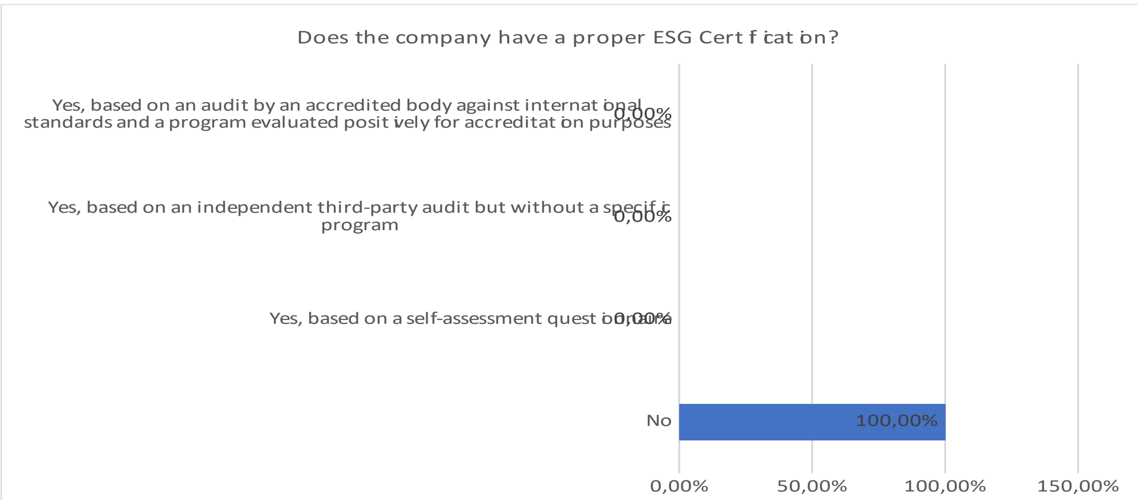
Q25: All those who answered that the company has an ESG rating, were also asked if they had a true ESG certification. To this question, the majority (54.29%) reported no, while 17.14% stated yes, and that it is based on an independent third-party audit without a specific program. 14.29% indicated that they have one and that it is based on a self-assessment questionnaire. Finally, the remaining 14.29% stated that they have one and that the certification is based on an audit by an accredited body in accordance with international standards and a program evaluated positively for accreditation purposes.

Graph 25: Presence of an ESG certification with rating



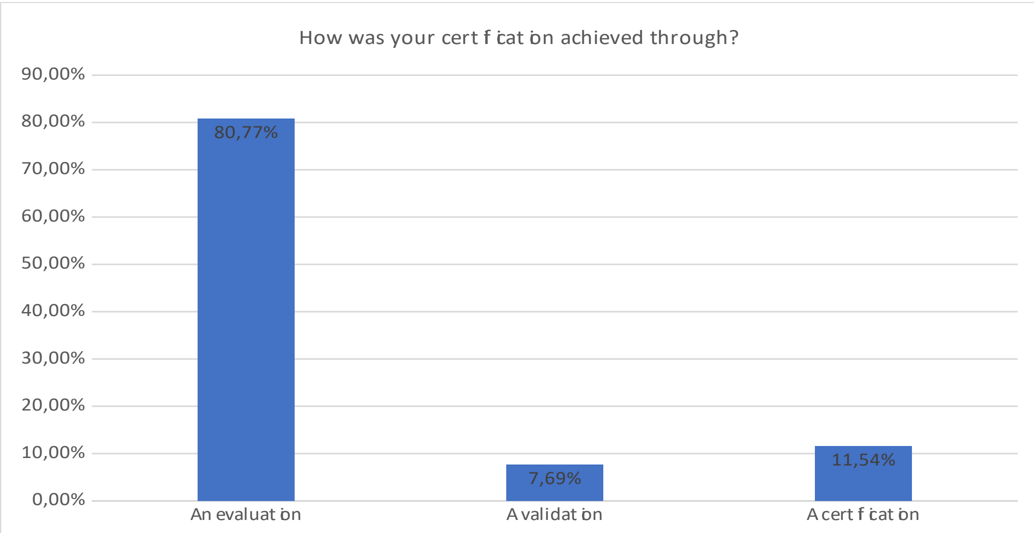
Q26: 100% of those who answered no to the question whether their company had an ESG rating answered no to the question whether the company had an ESG certification.

Graph 26: Existence of ESG certification without rating



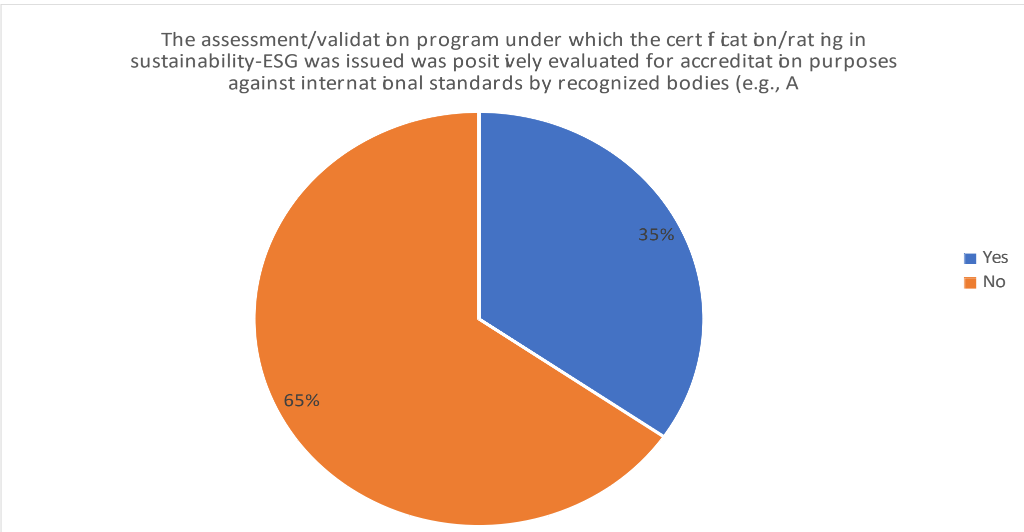
Q27: Companies that answered they have an ESG certification were asked by what procedure it was obtained; the top answer was through an assessment with 80.77 %; the second most preferred answer was "a certification" with 11.54%, followed by "validation" with 7.69%.

Graph 27: Procedure for obtaining ESG certification



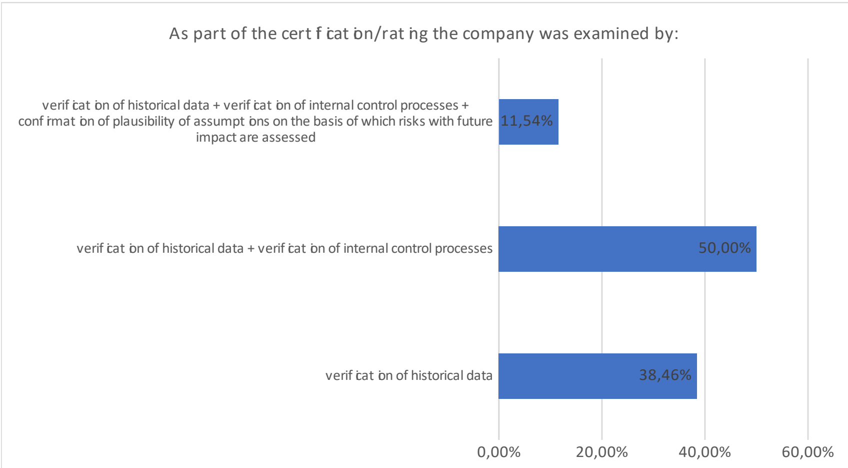
Q28: The same group was asked whether the assessment/validation scheme under which the ESG-sustainability certification was granted had been positively evaluated for accreditation against international standards by recognized bodies. To this question, 65.38% answered no and 34.62% said yes.

Graph 28: Positive assessment of the program against international standards



Q29: When respondents were asked what type of examination was carried out in the context of certification/rating (question submitted only to those companies that responded positively to questions 25 and 26), 50.00% said it was carried out through the verification of historical data and internal control processes. 38.46% stated that it was carried out only through the verification of historical data and the remaining 11.54% indicated it was carried out through the above-mentioned two elements and the confirmation of plausibility of the assumptions on the basis of which risks with future impact are assessed.

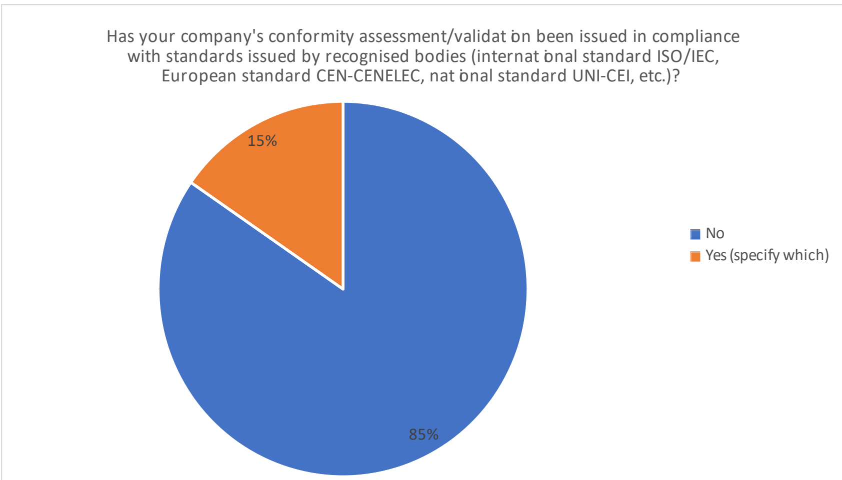
Graph 29: Type of examination for certification



Q30: Following the questions on ESG certification/rating, it was asked whether the company's rating was issued in accordance with standards issued by recognized bodies. The overwhelming majority (84.62%) answered no, while 15.38% answered yes. Specific answers included:

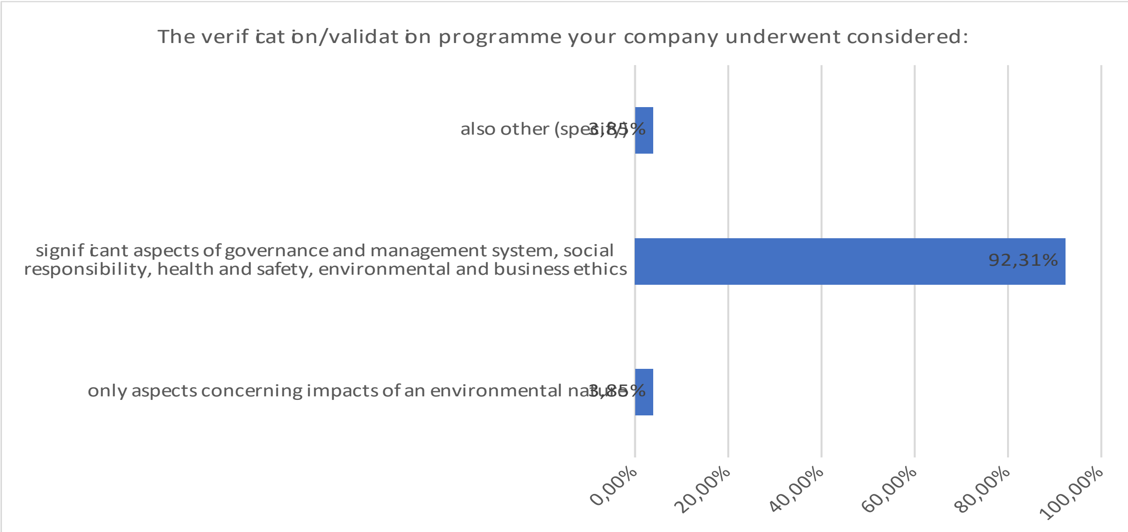
- DDL 1882
- ISO 9001, 14001, 45001, 27001, 37001, 50001, SA8000.
- ESG Top Industry Rated da Sustainalytics
- ISO 14001

Graph 30: Assessment according to standards of recognized organizations



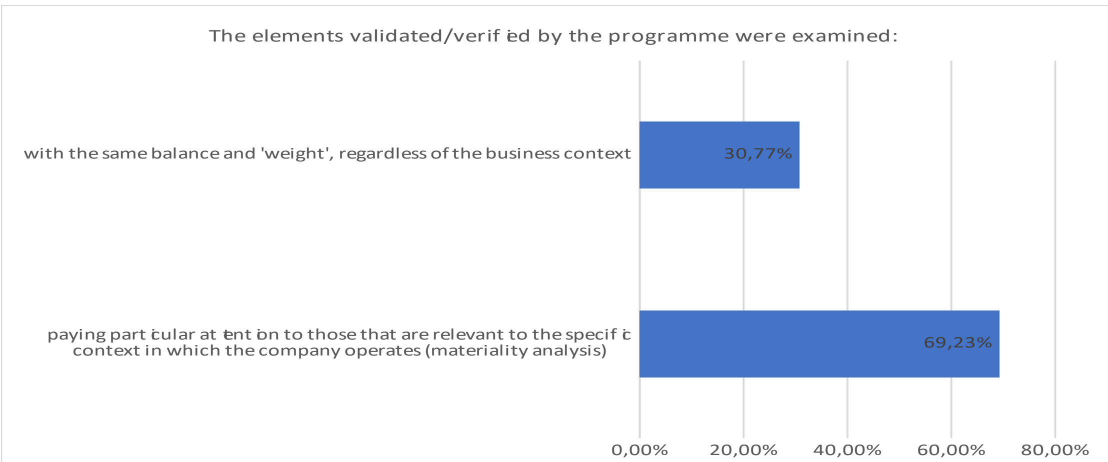
Q31: The same percentage of respondents were asked what the audit/validation programme considered. 92.31% replied that they also considered significant aspects of governance and management system, social responsibilities, health and safety, environment and business ethics. 3.85% indicated that only aspects related to environmental impact were considered, and the same percentage stated that the audit also considered the assessment based on the certifications held.

Graph 31: Considerations on the validation program



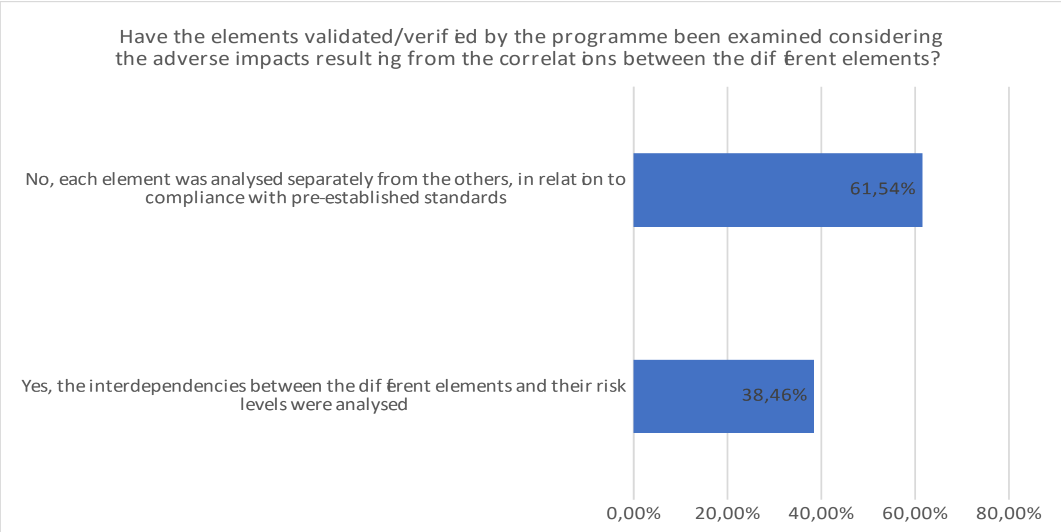
Q32: It was then asked whether the validated/verified elements were examined on the basis of a specific ponderation (materiality analysis) or whether an indiscriminate weighting was imposed. 69.23% stated the verification of the elements was carried out by paying particular attention to those that have relevance in the specific context in which the company operates (materiality analysis); and the remaining 30.77% replied that it was carried out with the same balance and 'weight', regardless of the reference company context.

Graph 32: Relative weight in the evaluation of elements



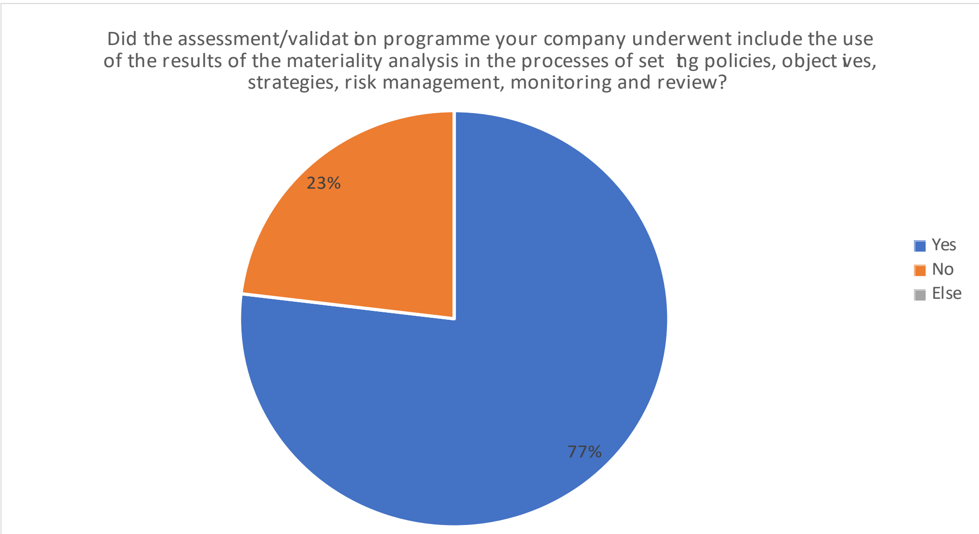
Q33: It was also asked whether the elements validated/verified by the programme were examined considering the negative impacts resulting from the correlations between the different elements. To this question, 61.54% answered no and that no element had been analyzed separately from the others, in relation to compliance with the established standards. On the other hand, the remaining 38.46% answered yes and that the interdependencies between the different elements and their risk levels were analyzed.

Graph 33: Negative impact considerations in the evaluation of elements



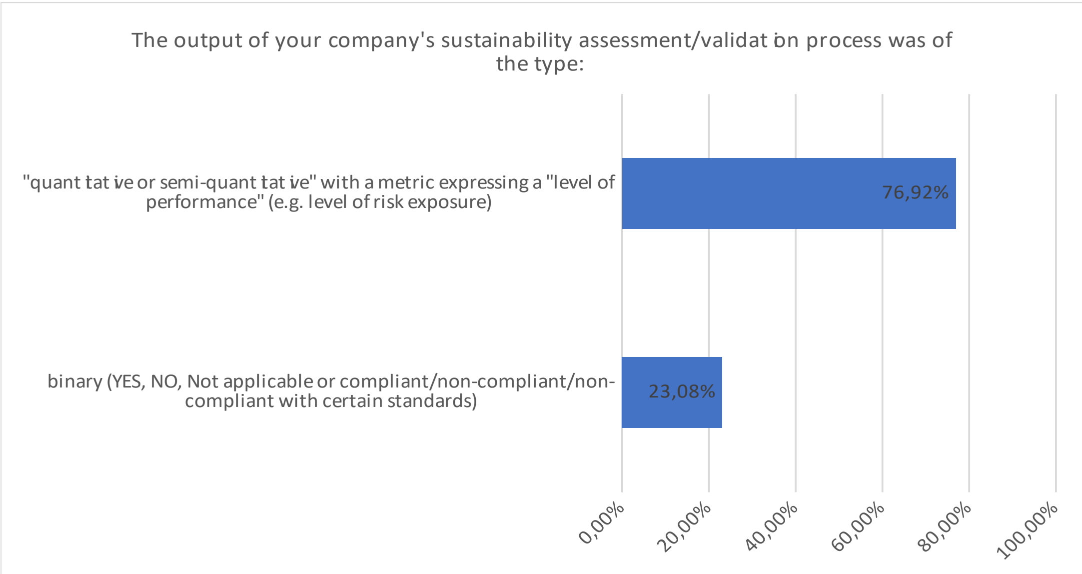
Q34: Businesses were also asked whether the company's assessment/validation program included the use of materiality analysis results in the processes of setting policies, objectives, strategies, risk management, monitoring, and review. 76.92% answered in the affirmative, while the remaining 23.08% stated that they did not.

Graph 34: Inclusion of the results of the materiality analysis



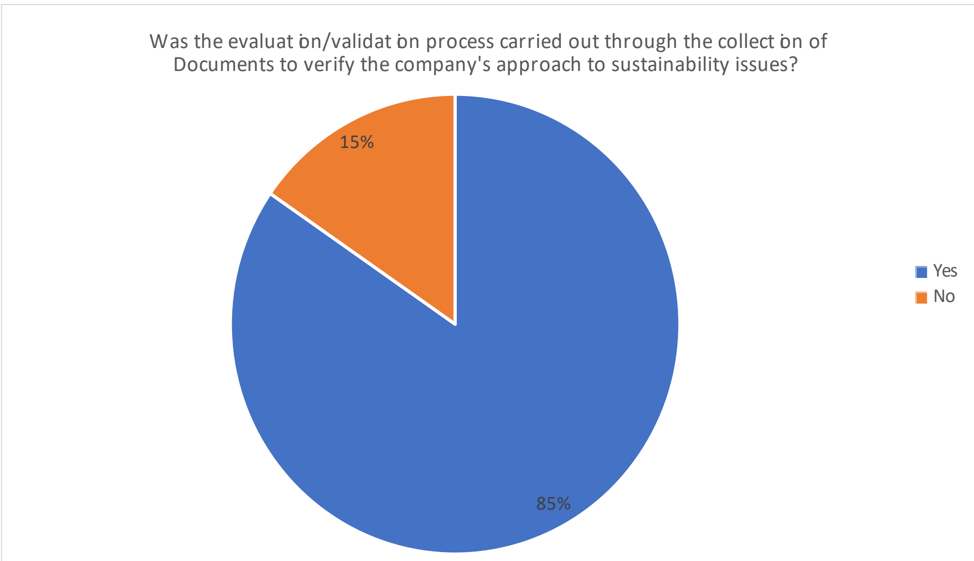
Q35: It was also considered to ask what was the type of output of the sustainability assessment/validation process. The majority (76.92%) stated that it was quantitative or semi-quantitative with a metric expressing a level of performance. While the remaining 23.08% reported that it was a binary figure.

Graph 35: Type of process output



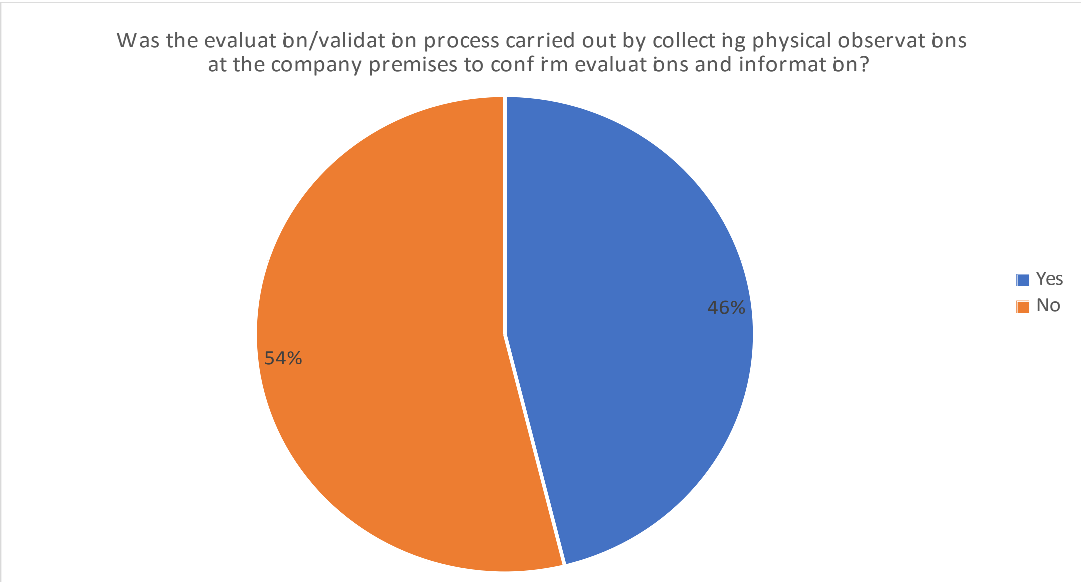
Q36: It was then asked whether the assessment process was carried out by collecting documents to verify the company's approach to sustainability issues. 84.62% reported yes, while the remaining 15.38% reported no.

Graph 36: Collection of documents for evaluation



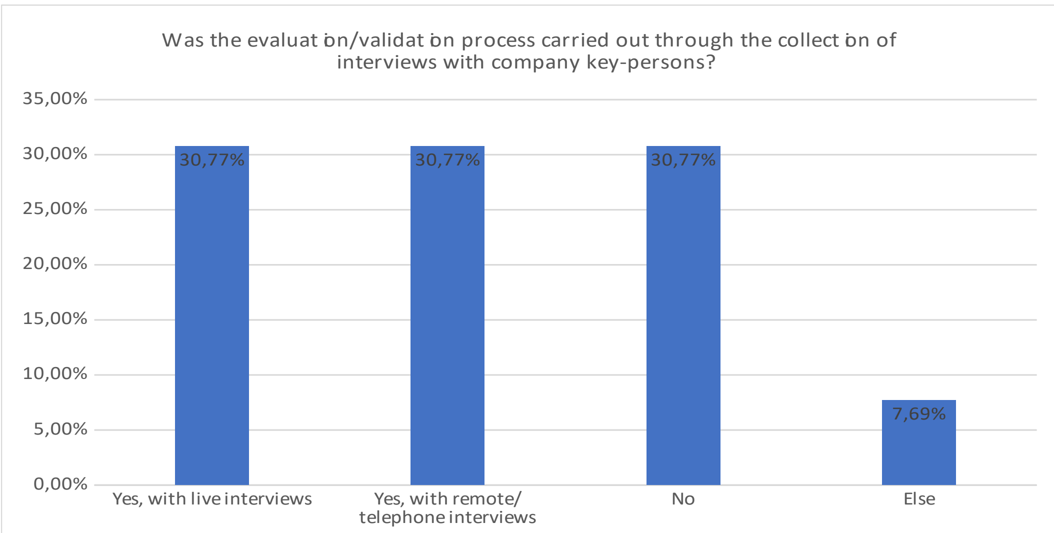
Q37: It was also inquired whether the evaluation process was carried out by collecting physical observations at the company's premises to confirm the information and evaluations. 53.85% answered in the negative, while the remaining 46.15% answered in the affirmative.

Graph 37: Physical observations at company premises



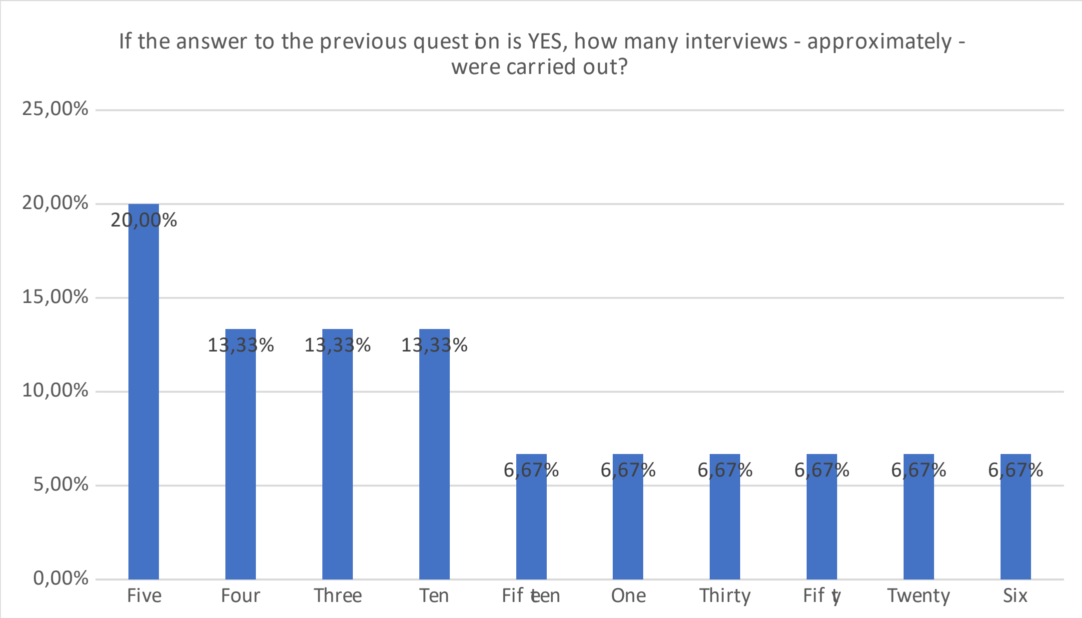
Q38: It was then asked whether the evaluation process was carried out by means of interviews with key personnel. The most common answers were: yes, with live interviews (30.77%); yes, with remote interviews (30.77%); no (30.77%). 7.69% reported that it was done by other means.

Graph 38: Collecting interviews with key people in the company



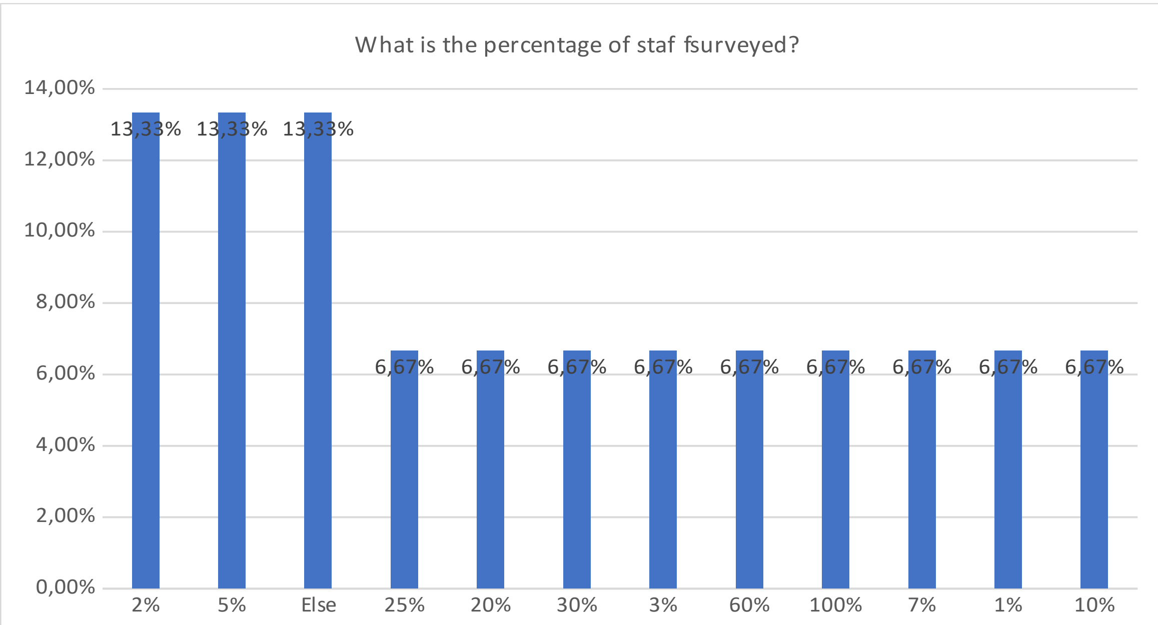
Q39: Companies that answered yes to the previous question were asked about the number of interviews conducted as part of the process. The majority answered five (20.00%) followed by four, three and ten (each with 13.33%).

Graph 39: Number of interviews performed



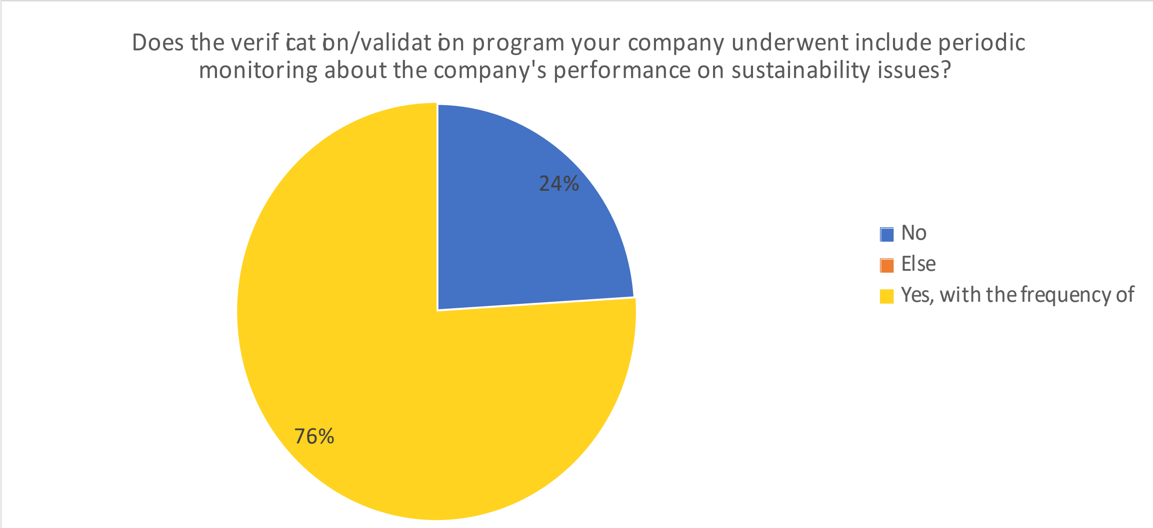
Q40: In addition, the percentage of people interviewed during the evaluation procedure was inquired about. The three most common answers were 2% (13.33%), 5% (13.33%) and other (13.33%).

Graph 40: Percentage of employees interviewed



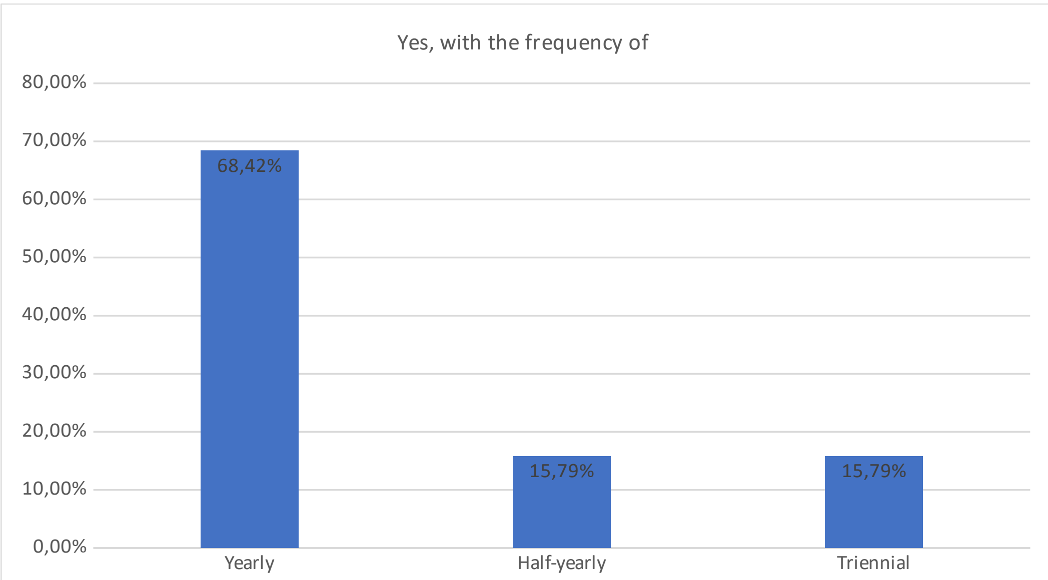
Q41: It was also inquired whether the audit/validation program to which the company was subjected included regular monitoring of the company's sustainability performance. 76.00% reported yes and 24.00% no.

Graph 41: Regular monitoring



The most common frequency was annual (68.42%), while the next two responses were half-yearly (15.79%) and triennial (15.79%).

Graph 42: Monitoring frequency



Q42: Finally, respondents were asked to provide suggestions, remarks or other comments on the topics discussed, and the answers have been collected in the table below:

Table 2: Suggestions for research topics

Comments about the addressed subjects
Certificate harmonization, automation (reduced compilation costs) and prescriptive legislation determine the success of corporate sustainability implementations.
Suggesting appropriate sources to properly approach and adjust to the criteria being researched.
Assess how to involve micro and small enterprises in ESG processes, compatibly with their size.
It does not consider companies that are part of a group and make a single sustainability report.
Clearly indicate the reference norms/standards.
Questions need more specificity. Dealing with ratings and certifications together can sometimes be misleading as the questions should be different.
One suggestion might be to better distinguish a certification from a rating so as not to confuse the two.
The newly founded company is in the process of assesment with regard to ESG issues.
Our answers refer to the Italian perimeter of the company, but if we were to expand to the international perimeter of the company (Rocher Group), we could explore issues related to extra-financial reporting and governance.
Greater clarity in explaining the rationale behind the questions.
I note that those who deal with ESG issues do not refer to any standards and do not take into account what is done for other certifications, e.g. you ask the same questions as in the SA8000 questionnaires, or those who interview me do not know that my environmental statement is on the website as I am EMAS certified.
Specify type of certification better; e.g. Roelmi has a third-party certified Sustainability Report - participates in the Ecovadis platform with an assessment questionnaire - Responsible care sees assessment questionnaire + dedicated tools.
Taking more into account of the Third Sector, which is not adequately reflected in the questions.
Sustainability aspects as impact in the company processes and business system must be made concrete, not only in communication/marketing aspects as many

realities do today, but more tangibly in the effects in terms of reality.

Perhaps it should be more relevant to the different areas of operation.

It is useful to know about zero-cost initiatives to be put into practice.

4.1.1. Relevant data

The analysis seems to provide a representative overview of the approaches, methods and standards in the reporting of non-financial aspects used by companies in their ESG performance reporting. Among the significant and general results obtained, the following can be mentioned in particular:

- 42% of companies requested their brand not be mentioned in public communications relating to this research, raising questions about their willingness to transparently question their data;
- the majority (85.00%) also indicated that the topic of sustainability is driven by the BoD. It would be interesting to investigate, in further researches, how many of these companies are able to draft a deliberation in which responsibilities, objectives and roles related to ESG risk management are accurately defined;
- 70.00% of the surveyed companies appear to be particularly attentive and active on sustainability issues;
- The number of employees of most of the companies surveyed (63.00%) is less than two hundred and fifty;
- Companies have only recently started to take real action with regards to the topic of sustainability. In fact, 59.00% of the sample surveyed claimed to have taken the first steps towards sustainability less than a year ago, and in any case no more than three years ago. Only 28.00% claim to have been committed to these issues for 10 years or more;
- only 58.33% of companies with 250-500 employees stated they draw up a sustainability report/non-financial statement, and this despite the imminent change brought about by the new EU CSRD, which will make it mandatory for around 50,000 companies in the EU to collect and share sustainability information (compared to around 11,700 companies covered by the current rules). In relation to these regulatory developments, however, 80 % of companies say they are ready to meet these new obligations, and none consider themselves unprepared. However, the persistently fragmentary publication of complete and reliable non-financial information raises considerable doubts about these claims, also given that out of 218 listed companies analyzed by Consob's research 'DNF: UN'ANALISI DINAMICA DELLA TRASFORMAZIONE MULTICAPITAL 2016/2021'[49], as many as 67 - although exempt due to size - do not publish a voluntary DNF;
- 62% of the companies surveyed state that they have a person responsible for sustainability dossiers, of which 52.83% are part-time, i.e. also engaged in other activities. It is not clear, however, what concrete directing power these figures have in relation to other company functions, a topic that should be investigated with further research;

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- 39% of respondents claim to have a Board member in charge of sustainability, but again the scope - and effectiveness - of the mandate is unclear;
- in the segment of companies with more than 500 employees, only 34.48% state that the report was validated with external-assurance (it would be interesting to investigate which assurance standard the companies referred to), and about 65.51% do not have a certified DNF, which is significant as these are - in fact - unverified self-declarations;
- 70.00% of the companies that responded that they had sustainability reports validated by a certification company indicated that the work of the latter was based on the analysis of documents and evidence produced by the company itself. This exposes the assessments to a series of formal as well as substantive criticalities, as there appears to have been no audit by a specialist to verify the genuineness and truthfulness of the statements and evidence produced. Moreover, only 25.00% of the sample claimed to have undergone a specific audit carried out in the company;
- most of the companies that claimed to have an ESG rating stated that this rating would be based on a self-assessment questionnaire, thus raising strong questions about the reliability, accuracy, credibility and independence of these ratings;
- Among the companies with ESG certification, 17.14 % replied that it is based on an independent third-party audit, but without any reference to a specific internationally accepted and validated program;
- 14.29 % reported that their certification was based on an audit by an accredited body in accordance with international standards and on a program evaluated positively for accreditation;
- 89% of the sample with ESG rating/certification states that they rely in their evaluations on historical data, updated in the current context in which they are requested, in a 'looking forward' logic, highlighting a paradox, i.e. implicitly implying that the absence of prejudicial events in the past would determine the low risk of their occurrence in the future (it is not clear on the basis of which risk prediction model);
- 92.31% of the sample replied that they had also considered significant aspects of governance and management system, social responsibilities, health and safety, environment and business ethics in their non-financial declarations. This figure would appear to be extremely positive, even though it too is the result of self-declaration, nevertheless a number of doubts arise as to the effectiveness of taking these concerns into account, if we consider that they appear to be unrelated to companies' perception and forecast of possible future risks;
- Only 38.46% of the assessed companies analyzed the possible interdependencies between the different elements and their risk levels. However, it would be interesting to investigate how these companies fulfil the criteria for preparing a 'balanced' or 'fair representation' sustainability report;

- Less than half (46%) of the assessment/validation processes were carried out by collecting physical observations at the company's premises to confirm the information and assessments, raising serious doubts as to the actual validation of these self-declarations;
- 66.67% of the surveyed companies claim to have an ESG rating (most of them are below the mandatory threshold for DNFs).

4.1.2. Recommendations and critical issues suggested by respondents

Among the recommendations highlighted by the interviewees and the evaluations carried out at the end of the survey, some critical points and useful tips for possible future research developments emerged:

- respondents requested more specificity in indicating the norms or standards referred to;
- in future, definitions of 'rating' and 'certification', which are not entirely clear to all respondents, should be specified more precisely;
- the third sector should also be taken into account in order to obtain more complete and adequate answers;
- It would be interesting in future to differentiate and make the survey tailored according to the operating sector in which the companies surveyed operate;
- the survey sample seems to be unbalanced between companies operating in the marketing and communication and services sector (about 20.00%);
- data from this research should then be analyzed by cross-referencing the response with data on the size/sector cluster to which the respondent belongs.

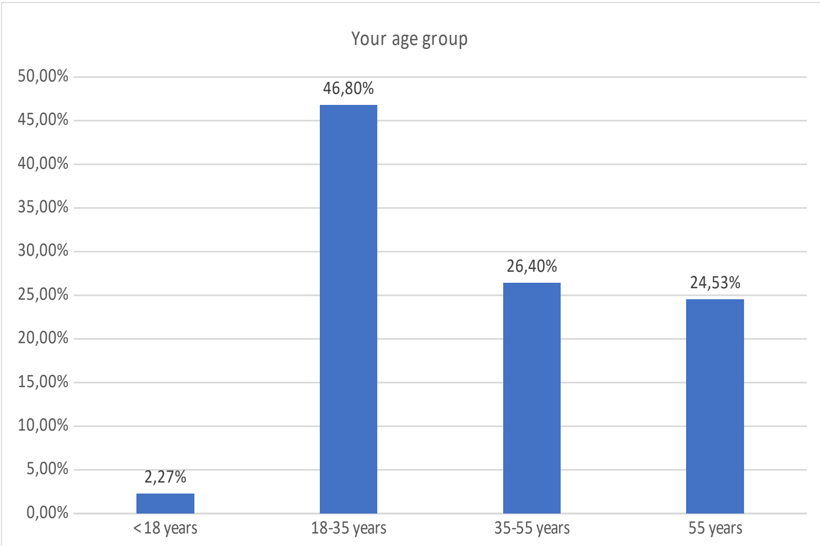
4.2 Survey “for people” analysis

Five hundred responses were collected, reflecting the opinion of the Italian population on corporate sustainability and on the genuineness of companies' ethical claims, with a particular focus on the so-called 'S' aspects, i.e. the social ones, with the aim of checking companies' statements on the whole set of sustainability claims. Before moving on with data analysis, a data hygiene and cleaning phase was carried out to ensure the quality and reliability of the answers obtained. All participants answered all questions of the questionnaire in full, thus ensuring the completeness of the collected data.

Graph 43: General Data

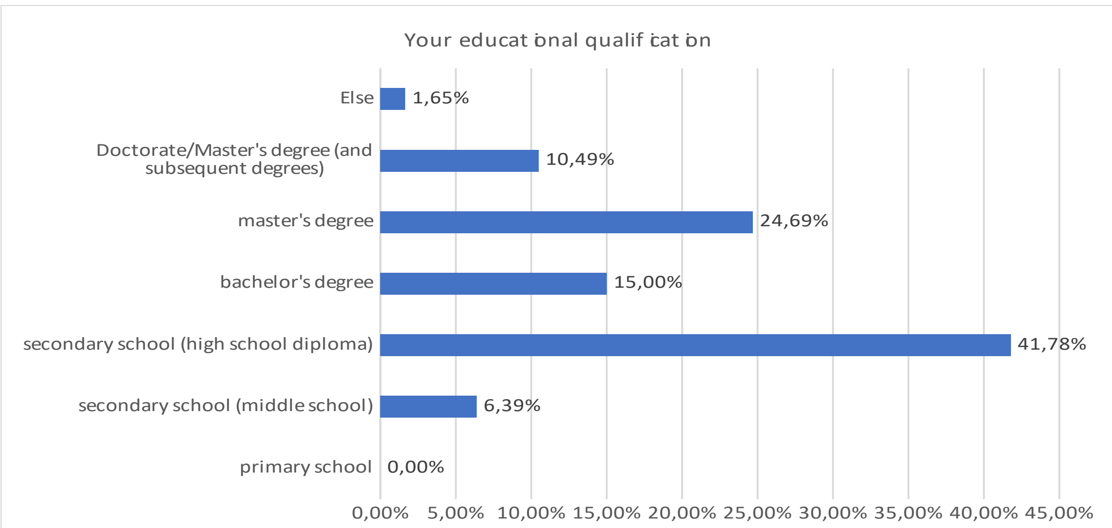
Q1: The most common age group among respondents was 18-35 years (46.80%) followed by 35-55 years (26.40%) and 55 years and over (34.53%). The least frequent age segment is under 18 (2.27%). This can probably be attributed to the choice of platform used for the online sponsorship of the survey (Facebook), mainly, as is known, used by an age group between 30 and 55, and the times of data collection, which coincided with school hours.

Graph 44: Age of respondents



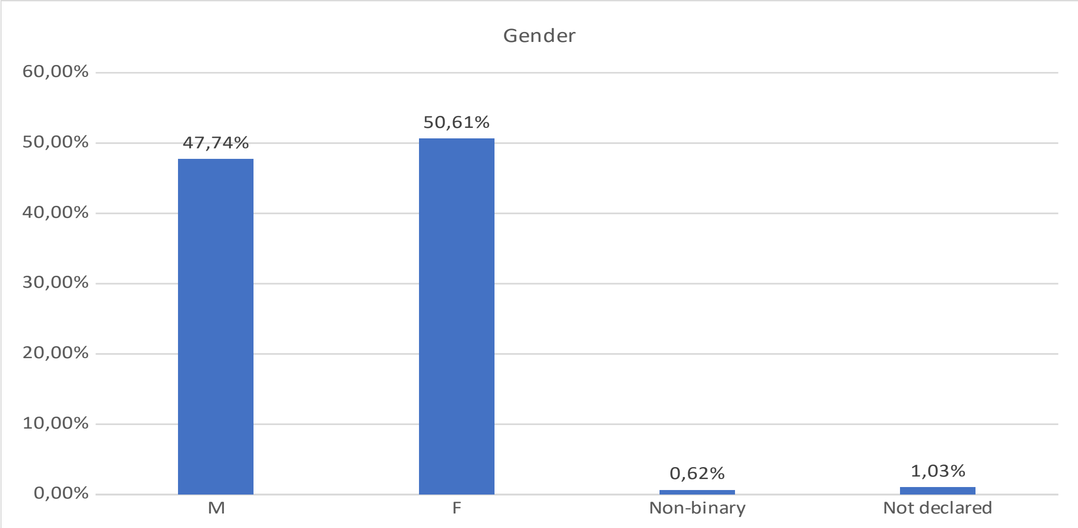
Q2: As far as the level of education is concerned, 41,78% of the respondents stated that they had an upper secondary school degree. The second most representative group is that of those with a master's degree (24.69%); this is followed by those with a bachelor's degree (15.00%) and finally those with a doctorate or other postgraduate degree (1.65%). These data suggest that most of the survey participants have a relatively high level of education, which is in some ways statistically relevant.

Graph 45: Education level



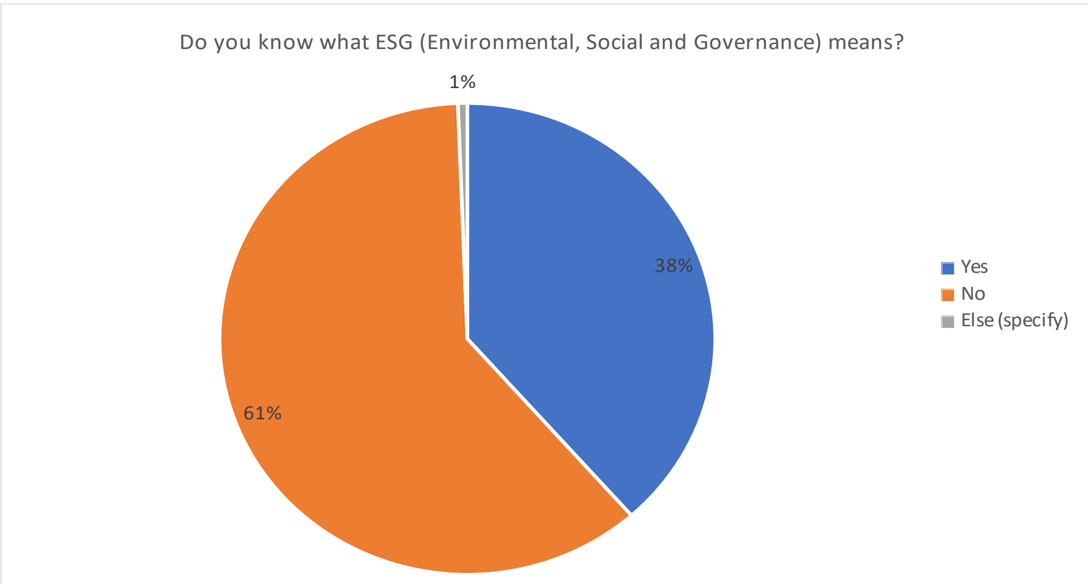
Q3: 50.61% of the respondents were female, while 47.74% were male; the sample is therefore relatively balanced between men and women. 1.03% preferred not to specify and the remaining 0.62% declared themselves non-binary.

Graph 46: Gender



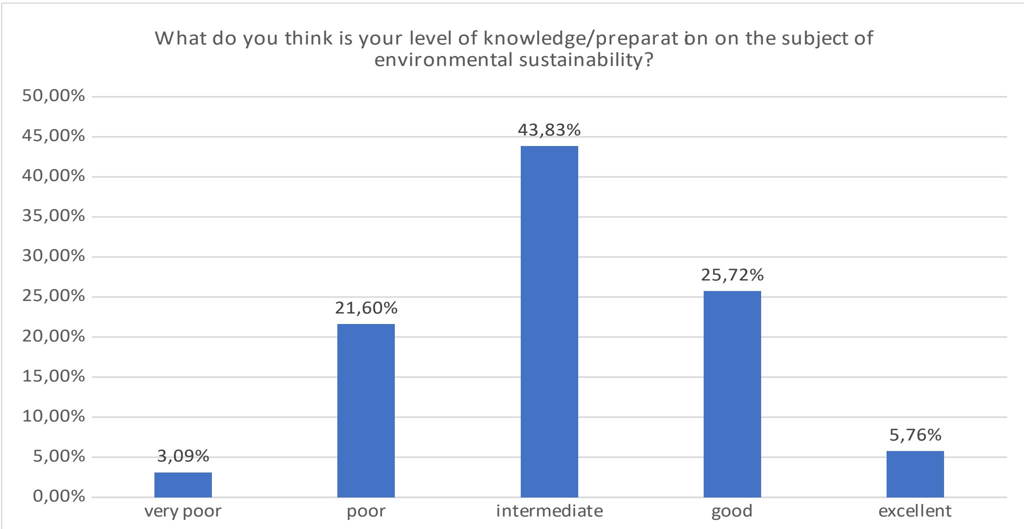
Q4: The majority of the interviewees appear to be unaware of the meaning of the acronym ESG (60.91%), while 38.48% of the sample claimed to be familiar with the acronym. These data suggest that knowledge of ESG indices and what they represent is still relatively low, at least among the sample of respondents surveyed. 0.61% of respondents indicated 'other', which is an interesting figure to investigate in order to understand what other ideas or terms associated with ESG are present in people's perceptions.

Graph 47: Knowledge of the meaning of ESG



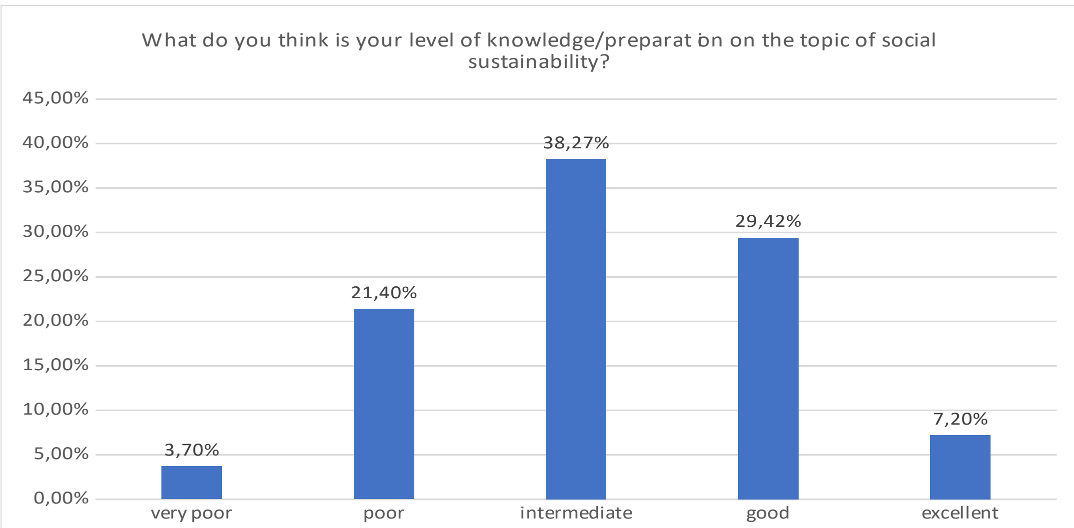
Q5: Most of the respondents stated that they had an 'intermediate' level of knowledge about environmental sustainability (43.83%); 25.72% of the respondents stated that they had a good level of knowledge about environmental sustainability issues; 21.60% indicated a low level of knowledge about these issues; only 5.76% stated that they had an 'optimal' level of knowledge about these issues; finally, 3.09% of the respondents stated that they had a very low level of knowledge about this topic.

Graph 48: Knowledge of environmental sustainability



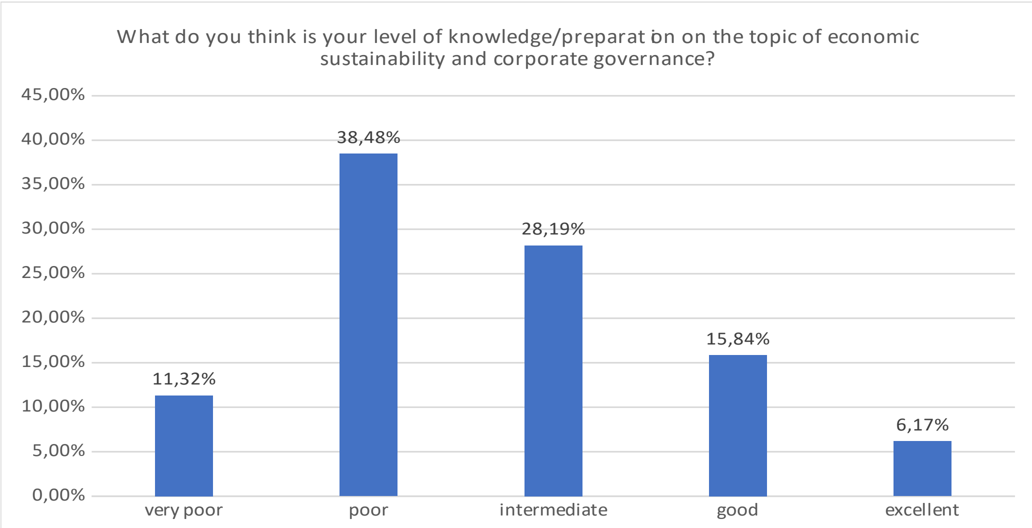
Q6: When respondents were asked about their level of knowledge/preparation on the more specific topic of social sustainability, they mostly (38.27%) stated that they had an intermediate level of knowledge; 29.42% indicated a good level of knowledge; while 21.40% indicated a poor level. Finally, the percentage of those who felt they had an optimal level of knowledge in this regard was 7.20%; in contrast, 3.70% acknowledged having a very poor knowledge of social sustainability.

Graph 49: Knowledge of social sustainability



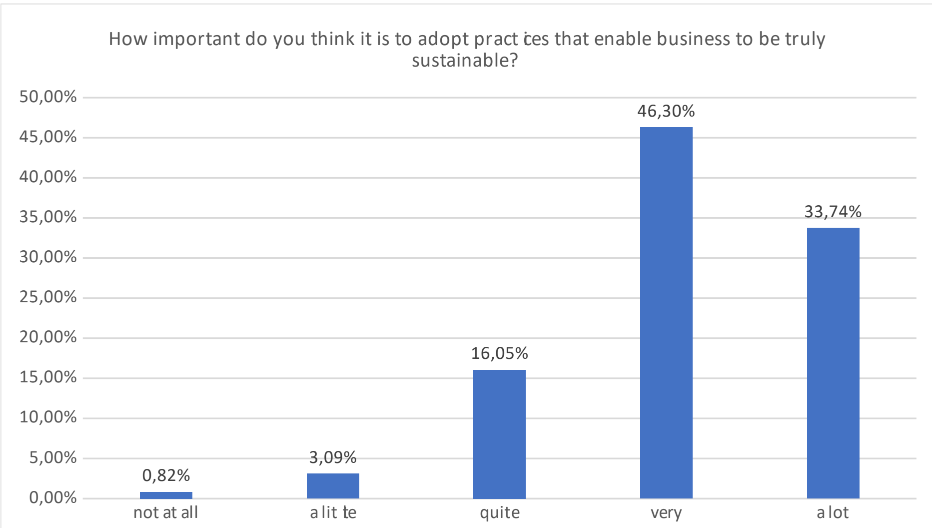
Q7: The majority of interviewees felt they had a low level of knowledge on economic sustainability and corporate governance (38.48%); 28.19% of interviewees said they had an intermediate level of knowledge and only 6.17% of interviewees said they had a very good level of knowledge on these topics; 11.32% of interviewees said they had a very low level of knowledge on economic sustainability and corporate governance. These data suggest that there is significant room for improvement, also for public institutions, regarding public education on economic sustainability and corporate governance.

Graph 50: Knowledge of economic sustainability and governance



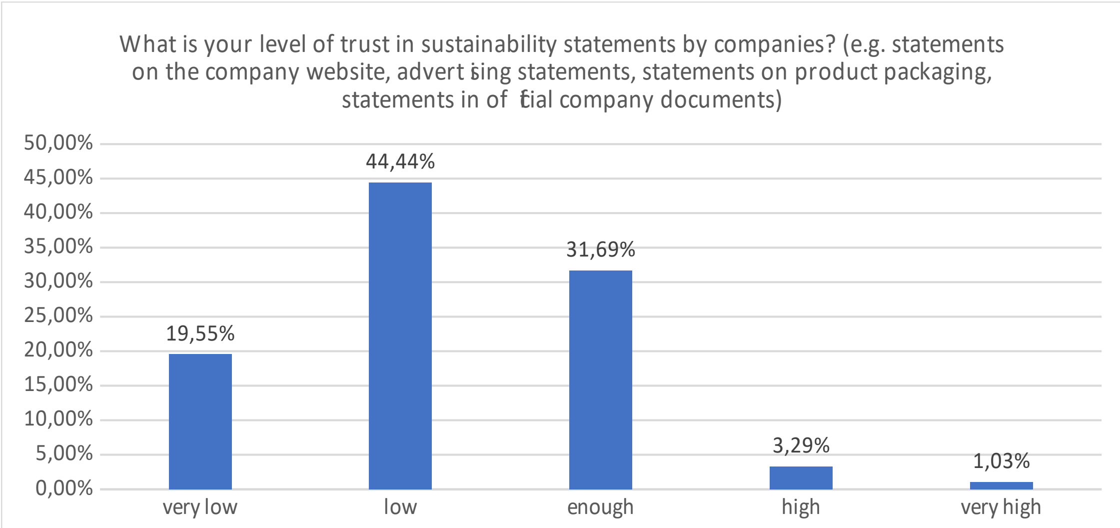
Q8: When asked how important it was for the respondents to adopt practices that enable the company to be truly sustainable, the majority (46.30%) indicated that they considered it very important; 33.74% said a lot; 16.05% thought it was quite important. The least frequent responses were 3.09% 'a little' and 0.82% 'not at all'.

Graph 51: Importance of adopting sustainable practices



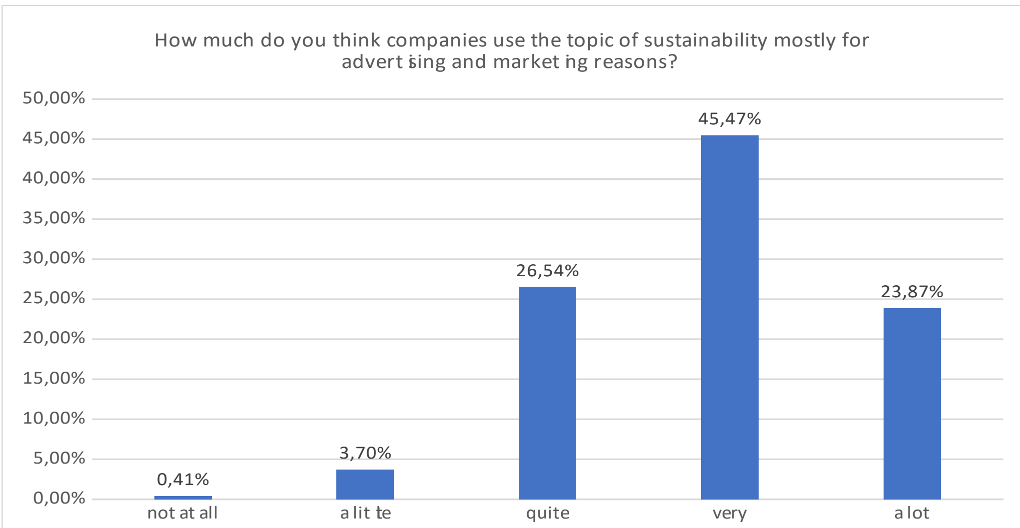
Q9: The majority of respondents (44.44%) indicated low confidence in the sustainability statements of companies, which is extremely interesting for the purposes of this research and beyond. 31.69% indicated sufficient confidence, while 19.55% indicated very low confidence. The least frequent answers were 'high' with only 3.29% and 'very high' trust with an even lower 1.03%.

Graph 52: Level of confidence in companies' sustainability statements



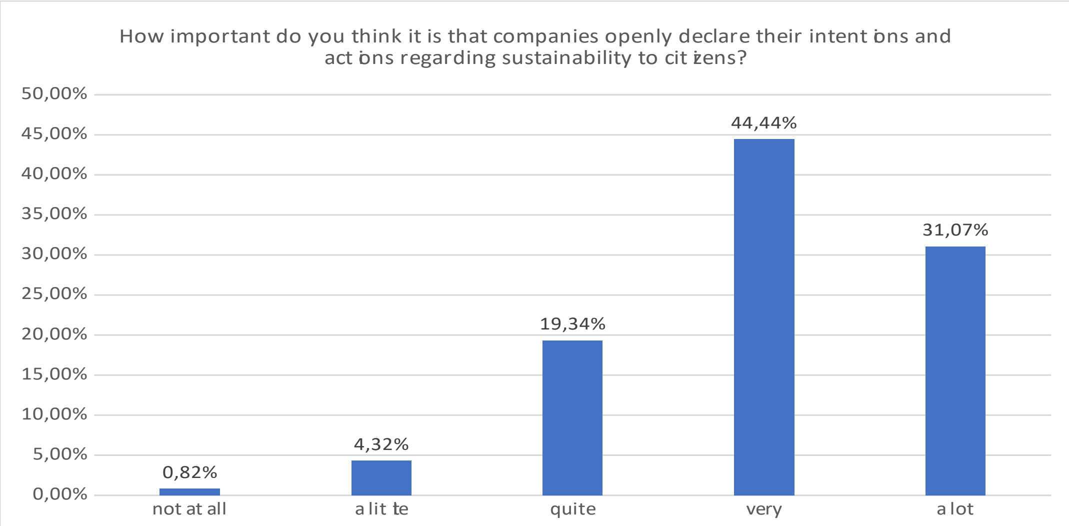
Q10: The tenth question was about the investigation of respondents' perceptions of companies' use of the topic of sustainability mainly for advertising and marketing purposes. The results showed that the majority of respondents (45.47%) believed that companies use this lever 'very' for their marketing and communication purposes. The majority of the sample leaned towards affirmative answers, with 23.87% of respondents indicating that they believe companies use sustainability for advertising purposes 'a lot' and 26.54% indicating that they believe this to be highly likely. The least common responses were 'a little', with 3.70% of respondents, and 'not at all' 0.41%.

Graph 53: Use of sustainability for advertising and marketing purposes



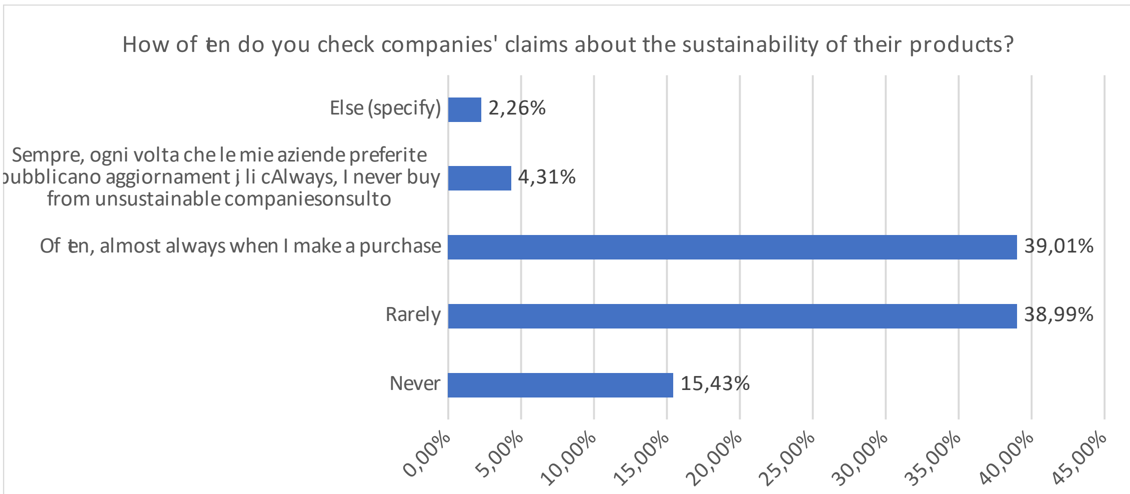
Q11: The interviewees were also asked how important it is to them that companies openly declare their sustainability-related actions. The results indicate that the majority of respondents (44.44%) consider this very important. Again, the most frequent responses were in the affirmative, with 31.07% of respondents indicating that they considered transparency in communications to be important ' a lot' and 19.34% 'quite' important. The least frequent answers were 'a little', with 4.32%, and 'not at all', 0.82%.

Graph 54: Importance of corporate transparency in sustainability



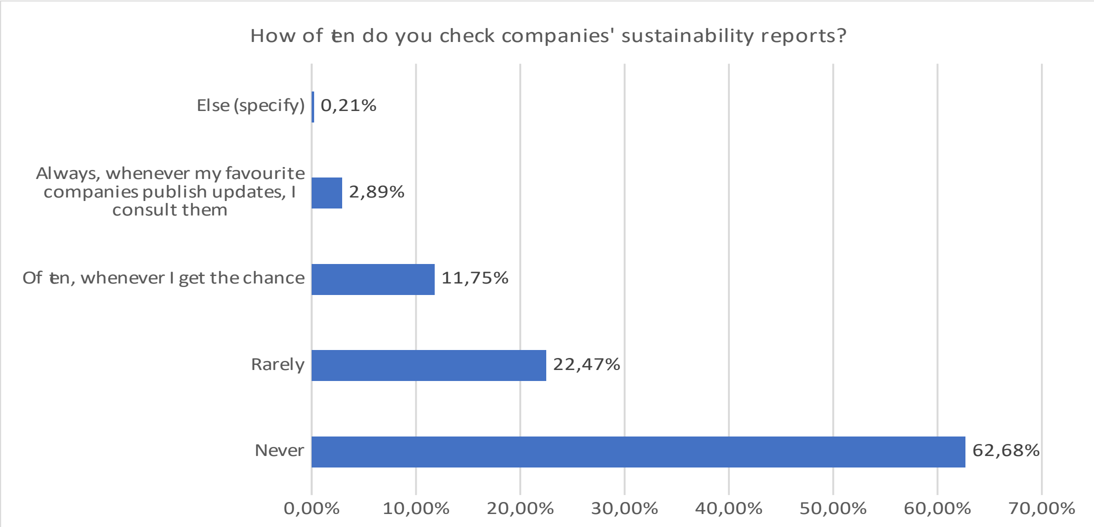
Q12: The respondents were then asked how often they consult the sustainability statements of companies' products/services. The majority of the respondents (39.01%) answered that they do this often, using this information as a relevant criterion during the purchasing process; an equally large group, 38.99%, stated that they 'rarely' pay attention to this element; 15.43% stated that they never do this. Finally, 4.31% stated that they always do this and would never buy from unsustainable companies. The smallest group of respondents (2.26%) indicated that their answer was not among those mentioned.

Graph 55: Checking companies' sustainability statements



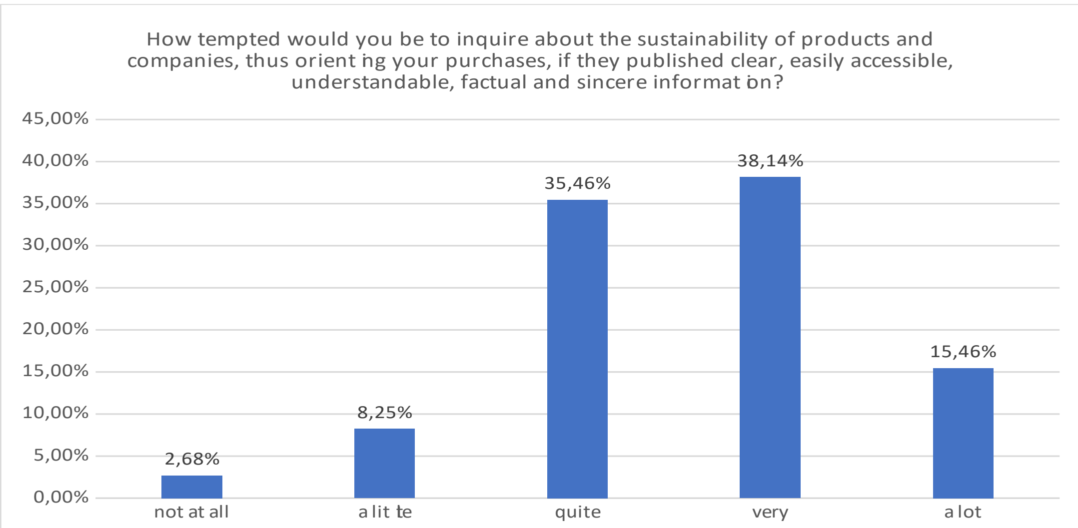
Q13: The respondents' answers showed that the majority, 62.68%, never consult companies' sustainability reports; 22.47% do so rarely, while 11.75% consult such documents often, whenever they have the chance; only 2.89% indicated that they consult sustainability reports 'always', i.e. whenever their preferred companies publish updates; 0.21% of respondents chose the option 'other'.

Graph 56: Frequency of consultation of corporate sustainability reports



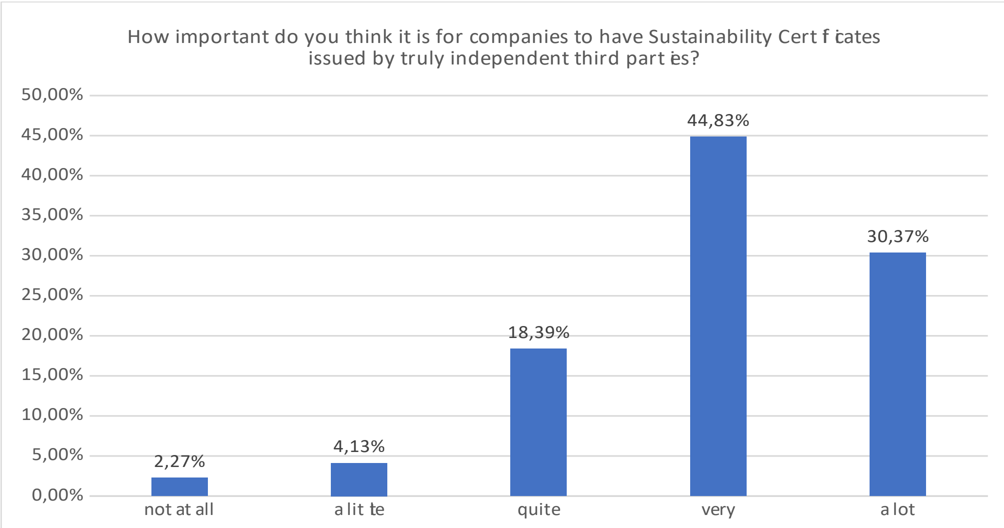
Q14: The results of the survey indicate that the majority of respondents, 38.14%, would be very interested in finding out about the sustainability of products and companies if they published clear, easy-to-find, understandable, objective and honest information. 35.46% of the respondents indicated that they would be quite interested in finding out about sustainability, while 15.46% expressed a strong interest. Only 8.25% of the respondents indicated little interest, while 2.68% felt they were not at all interested.

Graph 57: Influence of sustainability information on purchasing



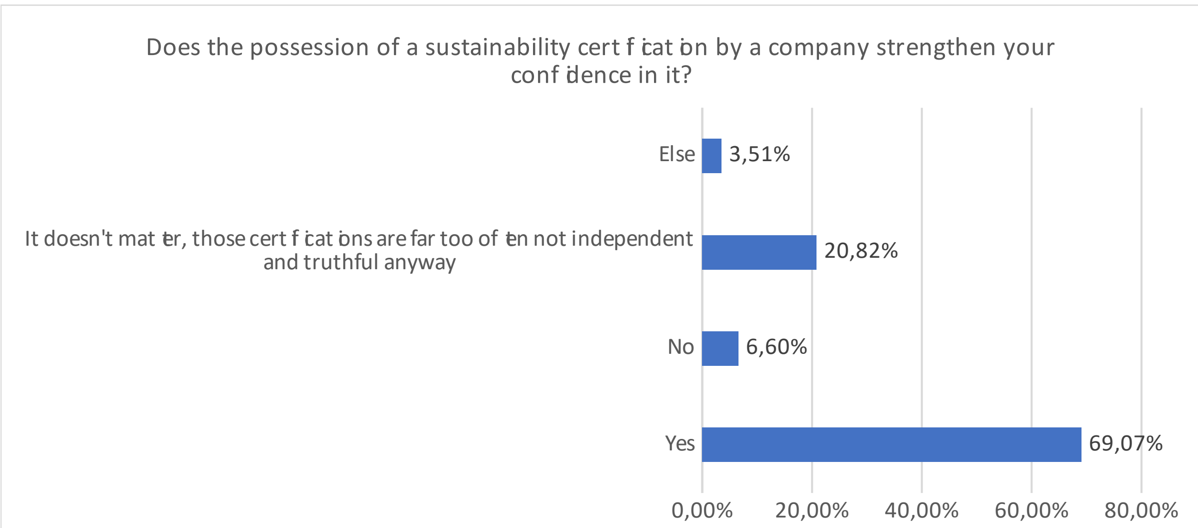
Q15: 44.83%, considered very important for companies to have sustainability certifications issued by truly independent third-party bodies; 30.37% of respondents indicated that they considered this practice very important, and 18.39% quite important; only 4.13% of respondents indicated little interest, while 2.68% showed no interest.

Graph 58: Significance of sustainability certification by independent third parties



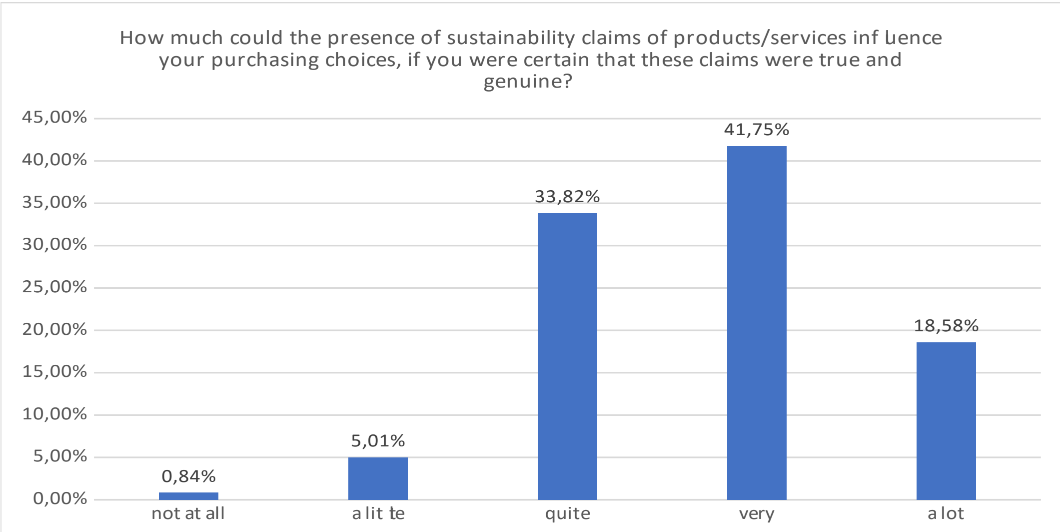
Q16: The respondent sample was then asked whether the possession of a sustainability certificate by a company could influence consumer confidence in the company. Most of the respondents, 69.07%, said yes, suggesting that these certificates have a significant value in the perception of the company; 20.82% of the respondents indicated that they were 'indifferent', as they believe that these certifications are often not independent and truthful (a result of particular interest when placed in relation to the answers above); only a small percentage, 6.60%, indicated that they do not strengthen trust in the company; finally, 3.51% answered 'else'.

Graph 59: The effect of Sustainability Certification on growing trust



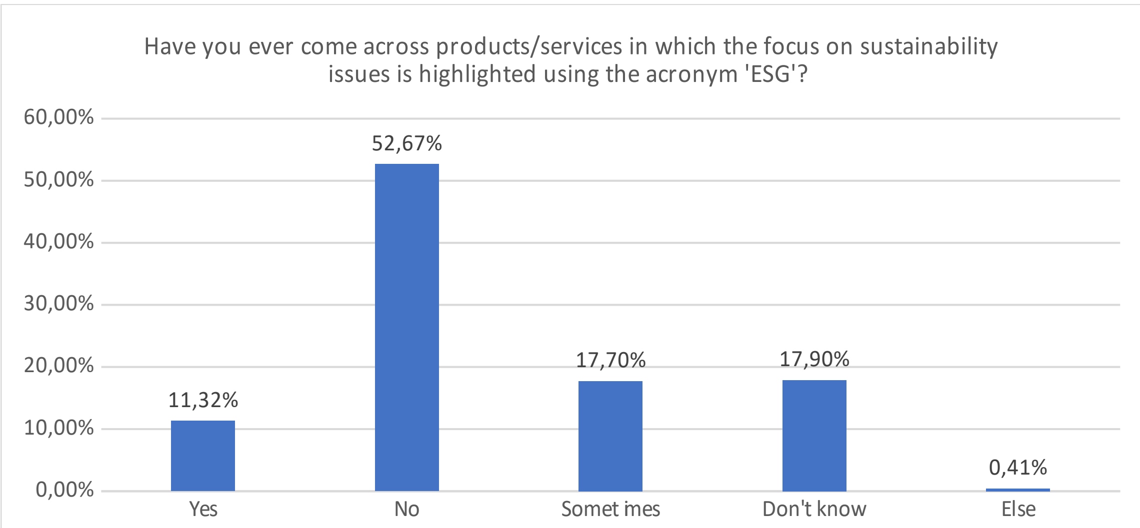
Q17: As regards the relevance of product/service sustainability claims on respondents' purchasing decisions, the results indicate that the majority of citizens (41.75%) would be very influenced if they were certain that such claims were true and authentic. Furthermore, 33.82% said they would be fairly influenced, while 18.58% said they would be very influenced; only 5.01% of respondents stated that truthful information about the sustainability of products and services would have little impact on their purchasing decision and 0.64% said they would not influence them at all.

Graph 60: Effects of sustainability statements on purchasing



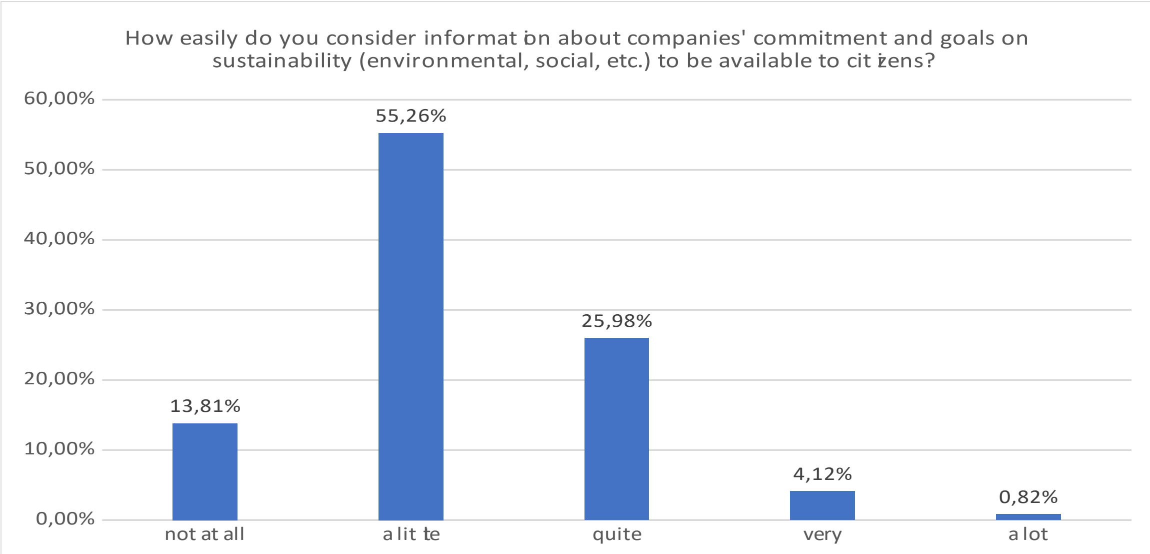
Q18: With this question, we aimed at finding out whether if interviewees ever came across products or services that emphasized their attention to sustainability issues using the acronym 'ESG'. 52.67% said 'no', 17.70% said it happened 'sometimes', and only 11.32% answered 'yes', while 17.90% were not sure; 0.41% gave the answer 'else'.

Graph 61: Sustainability-focused products and services with the acronym 'ESG'



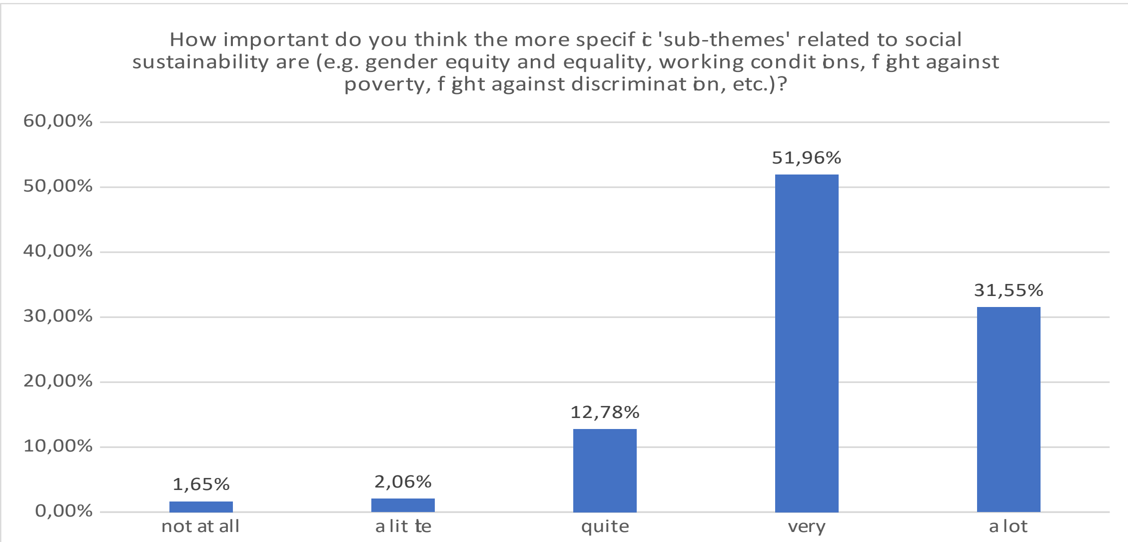
Q19: The majority of respondents (55.26%) believe that information on companies' sustainability commitment and goals is not easily accessible to citizens, with 13.81% believing that it is not at all; 25.98% think it is quite accessible, while only 4.12% think it is available and very easily found; a small number of respondents (0.82%) think it is extremely accessible.

Graph 62: Access to corporate sustainability information



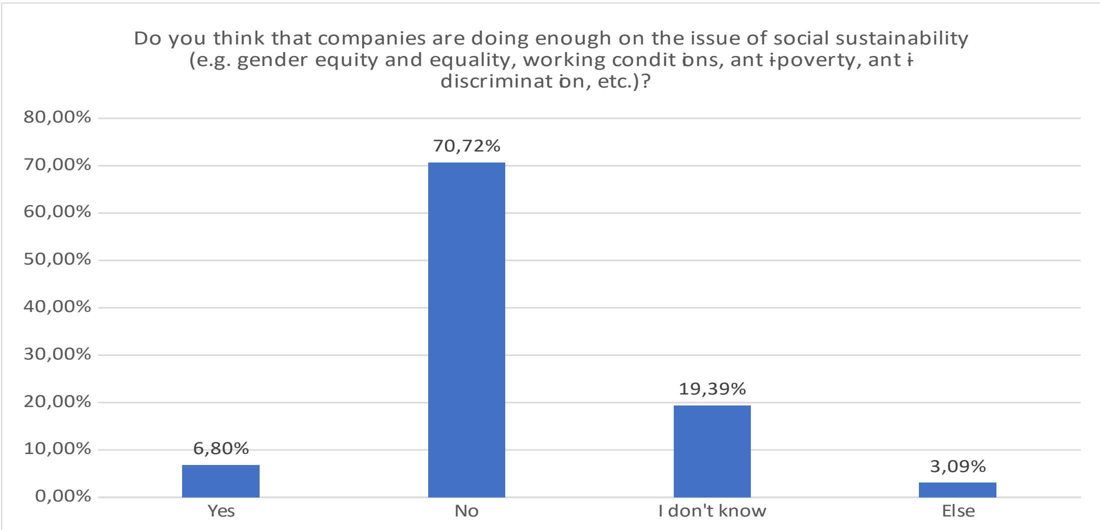
Q20: The overwhelming majority of respondents considered the 'sub-themes' specifically related to social sustainability to be of great importance, with 51.96% of respondents indicating 'very' and 31.55% 'a lot'; only 3.71% of respondents considered these issues to be of little or no importance.

Graph 63: Importance of the social sustainability sub-theme



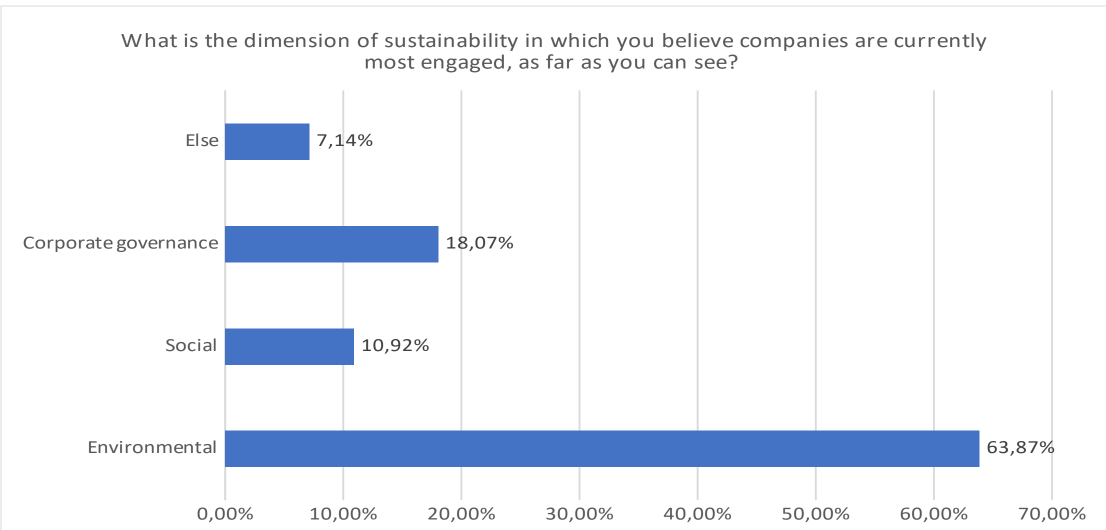
Q21: The majority of the survey participants, 70.72%, believed that companies are not doing enough on the specific topic of social sustainability, with particular reference to issues such as gender equity, working conditions, and the fight against poverty and discrimination; only 6.80% of the respondents expressed the opposite opinion, stating that companies are doing enough; 19.39% replied that they did not have an idea on the topic, while the remaining 3.09% gave the answer 'else'.

Graph 64: Perception of companies' commitment to social sustainability



Q22: The majority of respondents (63.87%) believe that the dimension of sustainability in which companies are most involved is the environmental one, probably due to the growing public awareness of climate change and the ensuing environmental crisis; on the other hand, 18.07% of respondents believe that companies focus more on the corporate governance dimension, which refers to the way companies are managed and make their decisions; 10.92% believe that companies focus more on the social dimension of sustainability; 7.14% of respondents indicated 'else'.

Graph 65: Main dimensions of corporate sustainability



Q23: The interviewees express a variety of opinions on sustainability, certification and the importance of corporate culture. Many are concerned about the practice of greenwashing and the lack of transparency and control of certification bodies. There is also mention of the importance of public education and awareness, gender equality, business ethics and the need for a broader focus on social sustainability. Some suggest that sustainability should not be expensive, it should not just be an image strategy, and that more effective procedures and regulations should be put in place to promote sustainability. In general, there seems to be a strong interest among citizens for a corporate culture that promotes sustainability and for greater transparency in the related certification processes.

Table 3: Free comments on the topics

Final statement on sustainability topics
To the last two questions I would add as an answer that companies do more than what the public perceives and that the public often only perceives what companies 'say'.
There is little media attention to sustainability even less to ESG.
To look for tools to recognise true sustainable actions of companies from greenwashing.
That they are accredited certifications of ESG management systems.
There are many 'grey areas' in the area of private certifications (e.g. LWG for the tanning sector) granted to Asian companies that are decidedly less sustainable than their Italian competitors but certainly more attractive to the market and therefore in need of certain 'certifications' to justify their sourcing by brands.
I count on clear and easy communication, e.g. a Google search of the name and a clear and simple answer.
Keep on harping on greenwashing.
Employment contracts.
Inspection by certifying bodies often lacking and only superficial.
Gender democracy.
Spreading gender equality. Communicate to companies how to obtain the new certification and deepen inclusive communication and language.
Spreading more information in order to be able to choose the product.
Spreading the guidelines.
Educating people to unmask greenwashing.
As long as we are governed by incompetents, liars, deceitful and hypocrites, neither business nor society can achieve these goals.
Greenwashing and pinkwhasing are common terms, and indicative of credibility.

The issue of the protection of women, for example in terms of the adoption of international conventions (Istanbul Convention) and best practices seems to me to be seriously ignored.

It is important to provide clarity because many SMEs see sustainability as an additional 'cost'.

Importance of third-party certification and control.

The importance of a cultural spread of the topic within organizations so that everyone is aware of the path to take and increase staff involvement. Equally important is engaging communication with stakeholders.

The most important part is the often neglected governance.

Sustainability on every level must not cost citizens and the public any extra expense, nor to the companies and organizations that promote it, it must also be economically fair.

I do not approve/like the use of the acronym ESG, in my opinion it is a stretch to correlate three such different dimensions under a generic 'goodness'. For me S and G are very important but they have to be a 'given' and they make a difference to my purchasing choices.

There is no independent third-party certification. Third-party status is lost the moment there is a payment system to obtain certification.

A lot of training and dissemination activities need to be organized on these relevant issues.

It is my personal experience that the issue of social sustainability is largely exploited and conveyed only to certain categories of people (those behind whom there are perhaps more power and image interests), and it is highly neglected and disregarded with regard to other categories of people (e.g. foreigners, whether ethnicity or skin colour).

More knowledge of the topic by citizens.

DNSH principle.

Themes and procedures certainly need to be regulated and encouraged.

A greater culture of governance as a decision-making theme for sustainability.

4.2.1. Relevant data

The analysis appeared to be representative of the public's opinion and provided a clear and comprehensive picture of their perception of companies' sustainability efforts and claims. Among the most significant results are the following:

- the majority of the interviewees are not aware of the meaning of the acronym ESG (60.91%). This indicates how widely used the term is at the moment, especially in professional and management circles, but at the same time how little it is used by the general public;
- the majority of the surveyed citizens reported having a level of knowledge of environmental sustainability ranging from intermediate (43.83%) to good (25.72), a figure that remains fairly stable with regard to social sustainability (intermediate levels 38.27% and good levels 29.42%); however, this figure changes with regard to economic sustainability and governance with the majority of the surveyed sample (38.48%) claiming to have a low level of knowledge. This suggests an opportunity for education and training on this important dimension of sustainability, especially by the relevant public institutions;
- in general, throughout the entire survey, citizens demonstrate that they sincerely care about sustainability issues, stating that they consider it very (46.30%) or a lot (33.74%) important to adopt practices that allow business to be truly sustainable;
- however, in spite of the relevancy of the topic, the degree of trust in sustainability statements by companies (e.g. statements on the company website, advertising statements, statements on product packaging, statements in official company documents, etc.) is between low (44.44%) and very low (19.55%), raising very serious questions regarding the potential violation of the fundamentals of reputation management, with particular regard to the requirement of authenticity and the ability of companies to build a true relationship of trust with their audience;
- the above mentioned perceptions also seem to intersect perfectly with the data revealing that the majority of citizens believe that companies use the topic of sustainability more for advertising and marketing reasons (45.47%), and less so out of genuine interest;
- looking at the results of the survey, citizens seem to want transparent communications from companies and ideally to have them verified by reliable third parties: the majority of respondents (44.44%) consider it very important that companies openly state their intentions and actions with regard to sustainability; 31.07% stated that they consider it very important and 19.34% fairly important;

- citizens do not seem to consult sustainability reports: the majority, 62.68%, stated they never consult them, while 22.47% rarely do so. Further research would certainly be necessary to explore whether the lack of consultation of these reporting documents is due to the inability of companies to build a relationship of trust with their audience, shortcomings in terms of content (substantive aspects) or errors in the definition of communication/dissemination strategies of these documents by companies, or a combination of these factors, and to what extent, also in view of the fact that the answers to the following question (Q14) showed that the majority of the respondents - 38.14% - would be very interested in finding out about sustainability aspects of products and companies if these published clear, easy-to-find, comprehensible, objective and sincere information, the same applies to 35.46% of the respondents who stated, under the same conditions, that they would be 'quite interested', while 15.46% expressed even more markedly 'a strong interest';
- citizens want companies to have validated certifications issued by third parties: 44.83% consider it quite important, 30.37% very important and 18.39% fairly important. According to the research team's interpretations, this would probably strengthen the degree of credibility and trustworthiness of their statements, in the current context permeated by a very low level of trust;
- certifications seem - according to 69.07% of the sample of citizens interviewed - to reinforce their degree of trust in companies, which is interesting when compared to the results of the answers to question Q17, where it is shown that certifications are considered unreliable because they are often the result of self-declarations;
- the acronym ESG is not yet used extensively to sponsor the focus on sustainability by companies (this probably explains why people are not yet widely familiar with the acronym);
- The vast majority of respondents consider the 'sub-themes' related to social sustainability to be of great importance, with 51.96% of respondents indicating 'quite' and 31.55% 'very much'; 70.72% also believe that companies are not doing enough on this issue, with particular reference to issues such as gender equity, working conditions, and the fight against poverty and discrimination;
- the majority of respondents (63.87%) believe that the dimension of sustainability in which companies are most involved is environmental (implicitly at the expense of social and governance).

4.2.2. Recommendations and critical issues suggested by respondents

Among the recommendations highlighted by the interviewees, the most important are the following:

– education as a much needed lever to distinguish truly sustainable actions from greenwashing;
– creating a more equitable approach to sustainability and gender equality;
– strengthening the role of sustainability training and awareness-raising;
– more effort is called for to make corporate communication transparent and easily accessible;
– usefulness of promoting a more incisive culture of governance and decision-making as a lever to make a real impact on sustainability.

4.3. Analysis of semi-structured interviews

The research team's hypothesis is that the phenomenon of greenwashing may also be fueled by a lack of systematization and clarity of the rules for certification and assessment of companies' sustainability performance.

In addition to this, there is also an economic aspect: one of the hurdles companies face when it comes to sustainability certification is the high cost of certification and the complexity of the assessment and monitoring processes, as obtaining sustainability certification requires a significant commitment in terms of time, professional resources employed and costs incurred.

Companies should take appropriate measures to improve the environmental and social impact of their activities, collect data and information, and cooperate with independent certification and assessment bodies. However, they often lack adequate knowledge of the possibilities and tools available to them, and due to a lack of adequate information they make do with assessment systems that are inaccurate, partial or not in line with international standards concerning ESG indexes, with the result that companies often find themselves relying on (cheap) certifications issued by bodies that are not accredited to provide a credible analysis of corporate sustainability performance.

Moreover, the certification process can be further complicated due to the lack of shared standards and clear requirements for the different certifications: companies have to navigate through a series of very varied and uneven procedures and evaluation criteria in order to obtain the different sustainability certifications, which can make the process costly, demanding and closer to a mere bureaucratic fulfilment rather than a strategy capable of creating value in the medium to long term.

4.3.1 Results of the interviews

1) ***From your point of view, in relation to your company's experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts?***

In spite of the fact that a large majority of the interviewees stated that their company takes sustainability issues seriously, the answers collected on the first question revealed some critical issues with regard to the preparation of documentation that proves its sustainability performance. One of the interviewees, for instance, stated that his company promotes voluntary initiatives, collaborations with non-profit organizations in the area in which it operates, and internal training on ESG issues, but then stated that he '*had a problem on how to draw up the sustainability report, do the non-financial statement, follow the impact assessment as done in the last year and the explanatory note by the consultant. Next year we will redo the sustainability report following the GRI*'.

However, as commendable as the effort made by companies that follow GRI guidelines is, it is a recognized international standard, especially for the purpose of comparability of information, but not a proper sustainability certification. And above all, as pointed out by another interviewee, these standards are not officially recognized by governmental bodies, and therefore there is a lack of factual homogenization of practices; consequently, until clear and unambiguous guidelines are established by European institutions in the first place, a further obstacle to the reporting process will remain.

A further problem highlighted by the interviewees was the low consideration given by institutions to small companies, at least in their perception. One of the company representatives stated that they often feel little involvement in communications concerning the topic of sustainability. Small companies, in fact, are among those most under pressure from the increasing 'race' to meet ESG indices, especially with regard to the impossibility, in the absence of an ESG rating, of being involved in tenders and contracts by their potential customers. This can be detrimental to the business of SMEs, which are also competitive from the point of view of the quality of their products/services, as they have fewer resources to invest in gathering the information necessary to align with international standards on the subject.

Among the respondents, some stated that one of the biggest obstacles is encountered internally within the company itself in terms of raising awareness and training employees on sustainability issues. Much of the effort of these companies seems to have been aimed first and foremost at increasing employees' culture and awareness of their own corporate philosophy, by involving several internal departments in the collection and processing of data for reporting purposes: "The objective was therefore to make it clear internally that these are not secondary issues, but must go hand in hand with 'typical' ones, and to clarify how data should be collected and monitored. This was the first and most significant obstacle we encountered," said one of the company representatives interviewed. Still with regard to the internal context, a couple of respondents indicated that although the company could already boast of the implementation of good practices before starting the reporting process, these were not adequately and widely recognized internally, and therefore not even made explicit. As a matter of fact, in one of these cases, the manager made an effort to map the already established good practices in order to make the board itself more aware of its strategies. In contrast, in the case of another company with particularly close ties to the local area, all the actions implemented in respect of the environment and the territory were considered by the management as 'common practices' and therefore, once this effort had been made explicit, the strategic motivations behind it were not understood, because no exceptionality was recognized in this regard. It is also interesting to note that only one respondent mentioned governance when answering this particular question, while the remaining respondents focused mainly on environmental issues.

Other answers highlighted how the increasing focus on ESG indexes is actually a rather recent issue: for some companies, 2022 marked the first time that corporate performance on sustainability issues was reported. This reporting, however, has been limited to the drafting of a Sustainability Report, which - although a useful element in publicly presenting the company's commitment to these issues - has in no case been subjected to independent certification by accredited bodies.

However, even in this respect, critical issues were highlighted that are useful to point out for the purposes of this study. One of the interviewees emphasized the problems associated with the mapping of decentralized production systems: while, for example, the assessment of the energy consumption of a centralized factory is fairly straightforward, in the case of decentralized production or service supply systems this can represent a significant challenge, and one that is not always taken up by companies, due to its costliness (companies spread across Italy with several sites must collect fragmented data, and aggregate it while maintaining the specificity of the individual sites, in order to be able to make rational assessments of consumption).

2) ***What do you think about the current, growing attention around the topic of ESG indexes?***

According to a company representative, the growing attention to ESG indices is influenced by certain phenomena such as, for example, globalization, the ever more frequent economic and financial scandals, the attention paid by public opinion to environmental and social issues, but also the emergence of the figure of the 'responsible consumer'. These factors have profoundly affected the concept of Social Responsibility and the importance of gearing one's management approach towards it. *"In fact, companies are increasingly being asked to participate in improving the economic, social and environmental context in which they operate. From this point of view, a CSR-oriented and ESG-related approach is a response to the pressures and expectations of all stakeholders"*, said the interviewee. Although social responsibility tools have existed for years, the lack of systematization of the culture on sustainability issues can be confusing even for companies that would like to avoid greenwashing and adopt virtuous behavior.

This increasing attention to ESG issues is nevertheless viewed positively by the majority of interviewees: some emphasize how external promotion has been key to greater internal awareness, and how renowned awards (such as Credit Suisse's Sustainability Award, for example) have indeed served to boost these issues and mobilize internal and external action and attention. Another noteworthy element highlighted by one respondent concerns the non-competitive meaning of these issues: they should become a characterizing part of products, which increasingly aware consumers can easily take into account, without becoming a factor of 'bad competitiveness' in itself, but rather "*an intrinsic characteristic of the purchase, such as colour, softness, cut...*"

3) ***Do you think that the culture regarding sustainability issues among citizens and businesses is sufficiently rooted?***

In general, respondents agree that a large part of the Italian population is poorly informed on the topic, especially those who do not fall under the definition of 'new generations'. Those who also had experience abroad note the gap between the culture on the issue of sustainability rooted in northern European countries and the Italian one, which is still not very widespread. For some respondents, however, there are margins for optimism: the figure of the 'responsible consumer', who orients his or her choices on the basis of variables such as ethicality and the social and environmental impact generated by certain goods and services, is establishing itself, albeit slowly, even in our country.

Still others pointed out that the problem is strongly related to the lack of proper disclosure, and especially education, especially among the youngest (although they are generally more sensitive to these issues). As one sustainability chargée points out, educational plans should be drawn up among the very young, in schools, so that the awareness that the resources of our planet are not infinite, and therefore those present must be treated with due care, can be rooted. In this sense, we point out an extremely timely comment: "*Institutions should contribute by spreading culture in this area, to explain that besides profit, there is the planet and people. I also like the Treccani definition: 'sustainable is what can be sustained'. I happened to compare it at a conference to a stool with three legs: if you take one of them away, it falls over. I think it is fitting: the person is at the center and makes the difference.*"

Others point out that although consumers are indeed more aware and informed, a strong cultural obstacle persists, mainly linked to the strongly consumerist connotation of today's society: in fact, the data reveal how consumers are still extremely focused on price, favouring the purchase of the least expensive goods and how, however, "*today's consumerism is anachronistic, we need to unlearn it.*" Again, the lack of active choice on the part of consumers is evident to interviewees, as reported: "*the question to ask during a purchase is: but if it costs so little, what I don't pay, who pays for it? Usually the bill is paid by those who physically created the product, or in the best cases the pre- and post-consumer environment.*"

4) ***What do you think should be the responsibility of those who do business with regard to the issue of sustainability?***

From what was stated by the respondents, three main responsibilities of those who do business emerge: firstly, to have clear sustainability objectives and adopt strategies consistent with these; to communicate these objectives efficiently and effectively, so as to make the company's commitment clear to the outside world; and thirdly, to remember the strong social impact that the company's own behavior has. Note also the importance given by some interviewees to inter-company cooperation, networking: ESG issues are rightly seen as common goals of mankind as such and therefore it is crucial that everyone works together to build a better and sustainable system. In this regard, the involvement of staff and stakeholders is crucial to work for the collective interest. Respondents highlighted that those with greater financial resources should invest proportionally more in virtuous practices that respect ESG indices. In addition, communication appears to be an important value: combining awareness-raising activities on the issue of environmental sustainability, for example, with team building activities is an effective strategy for some people interviewed.

5) How important is it for your company to achieve virtuous performance with regard to Environmental Social and Governance (ESG) aspects?

As is easily guessed, all the respondents emphasized the paramount importance of pursuing virtuous performance; both novices to the subject and those who have been undertaking good practices for years, state that sustainability is now at the heart of company policies and, although with room for improvement, they are convinced that it is the road that needs to be taken. Many of the interviewees represent benefit companies or B Corporations. These are two types of companies that aim to balance profit with social and environmental responsibilities. A benefit corporation is a company that is committed to acting in the public interest and to making a positive impact on society and the environment, in addition to profit. In other words, benefit societies have a twofold objective: to generate profit and to create social value. Moreover, benefit societies must define a specific and measurable public objective to guide their actions. B Corporations, on the other hand, are companies that have obtained the certification of the same name, which guarantees that they meet the highest standards of social and environmental performance, transparency and accountability. The certification is issued by B Lab, a non-profit organization that assesses the overall impact of companies against a rigorous set of standards that go beyond legal requirements. In summary, while benefit corporations are a type of legal structure, B Corps are companies that voluntarily commit to meeting B Corp certification standards to demonstrate their commitment to social and environmental responsibility. Some of the respondents highlighted how ESG certifications can be a controversial issue, to the extent that some companies are not seriously committed to virtuous sustainability practices, but exploit the marketing value that certification brings, fueling so-called *greenwashing*.

6) ***Do you feel there is a lack of common standards in this area or do you think the ESG area is sufficiently regulated?***

Although this question also revealed very critical positions on the part of companies, even the most moderate agree at least on the lack of a greater harmonization in this area and, above all, of a clear common standard. The most 'extreme' of the respondents, on the other hand, see the system as badly and insufficiently regulated.

7) ***Do you know of any Italian or European ESG certification institutes? Do you think that public institutions should devote more attention to the dissemination of ESG-related culture?***

With regards to the first question, there were mostly short answers (yes/no) or answers linked to the certifications themselves but not to the providers, with a few exceptions. Whereas on the second part, the tendency was to answer in the affirmative. One respondent emphasized that the role of the institutions is indeed fundamental, but on a par with that of the other leading actors in this current: once again, it is emphasized that cooperation and clear, shared objectives must be the pillars of the process. On the other hand, another reiterated how the institutions, especially the European ones, are lagging behind in the promulgation of clear community standards, pointing out, in addition, how crucial it is that this process be carried out taking into account the peculiarities of each sector, since otherwise there would be a risk that - through the extreme generalization of criteria - certain types of production, although very sustainable at the environmental level, would not be considered as such. Although the complexity of implementing this kind of requirement is recognized, it is good - according to the respondents - that over-simplification is not pursued, but rather that the complexity of each production sector is taken into account.

8) ***Do you think that public institutions should devote attention to vigilance against the phenomena of 'false ESG', greenwashing, non-genuine declarations, etc., including possibly sanctioning companies guilty of deliberate malicious ESG declarations?***

Once again, all responses to the question were in the affirmative. Some, however, emphasized that it is not only perceived as a responsibility on the institutional side, but first and foremost on the corporate side: reference is made to the need for greater intellectual honesty on the part of management and shareholders, and to the fact that there now seems to be, at least in Italy, a general cohesion between institutions, banks and industries on these issues.

However, it is reiterated that the role of 'controller' is to be attributed exclusively to the competent institutions, and therefore that they cannot afford to operate 'distractedly' on these issues of undisputed importance and topicality.

5. Notes and suggestions for governmental and regulatory bodies

Lastly, the project envisages, on the basis of the research team's experience and the outputs of the research itself, the formulation of some brief but relevant suggestions addressed to public institutions, namely regulatory bodies - in particular EU bodies - on which falls the responsibility of drafting, approving and disseminating rules and regulations on good practices in the area of sustainability reporting and ESG ratings.

These suggestions - though not exhaustive, and deserving of further investigation through new studies in this field - are listed, in no particular order of importance, as follows:

- standardize drafting sustainability reports and particularly the system for issuing ESG ratings, so as to ensure their verifiability and comparability, given that each agency tends to develop proprietary models that consider and aggregate individual factors in an original, unsupported and unclear manner in the methodological fundamentals adopted;
- establish shared standards against which to assess the performance of companies according to ESG criteria;
- make the metrics used to issue ESG ratings publicly and unequivocally clear;
- to finally legislate - in a stricter and more transparent manner - the ESG certification procedures themselves, as these ratings are issued in a preponderant number of cases by consultancy companies that are not independent third parties and analyze documents self-produced by the companies themselves, without verification by the certifiers on the company premises;
- create transparent and accessible databases containing references to ESG-rated companies;
- identify the criteria to be followed for the verification of the level of expertise of professionals in charge of training activities on ESG issues, drafting sustainability reports and issuing ESG ratings;
- establish and enforce (accepted literature) an adequate sanctioning apparatus to take action in the event of violations of the rules on the authenticity, consistency and genuineness of sustainability reporting and the appropriate issuance of ESG ratings;
- encourage the establishment of corporate networks ('sustainable communities') by stimulating synergies between different realities of the business fabric, so as to foster virtuous practices in terms of disclosure of non-financial information;
- support small and micro enterprises particularly in their efforts to report on sustainability and to obtain reliable, accurate and credible ESG ratings, bearing in mind that, in fact, although they represent a significant part of the entrepreneurial fabric, they often lack the cultural as well as financial

tools to adapt to the growing attention and regulatory framework on sustainability;

- given that the OECD and the EU also incorporate supply chains into the assessment of non-financial risks, but ESG risk assessment methodologies based on publicly available data can only - at best - be limited to companies for which information is publicly available in the press, electronic media or other reports, identify genuinely applicable criteria for analyzing and accounting for such potential risks, for the benefit of transparent information to the public;
- given that Agencies' rating systems appear not to fulfil the requisite of forward-looking assessments, clarify whether and how expected impacts and costs to be incurred should or should not be subject to sensitivity analysis, so as to enter - if considered relevant - into the overall assessment;
- fostering a fruitful and peaceful dialogue between all the involved stakeholders, in order to better understand how the audit-centred approach and the assurance-centred approach can be synergistically put to use in a collaborative and constructive spirit, and possibly complement each other with respect to the common objective of ensuring the improvement of the quality and credibility of the companies' sustainability information.
- investing in the growth of the internal corporate culture on the topic of sustainability, guiding companies along the path of greater involvement of internal departments in the collection and processing of reporting data;
- strengthen regulations on corporate sustainability claims, broadening the perimeter not just to so-called 'green' claims, so as to increase the degree of public trust in corporate statements;
- investing extensively in educating the population on sustainability themes, with particular regard to economic sustainability, which is the most deficient in the perception of citizenship.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[50] Italian Public Relations Federation.

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Appendix

List of companies Opt-In

Table 4: Companies Opt-in

Company	Answer
Studio Legale Perga	Yes
Fontaneto srl	Yes
RAGÚ Communication	Yes
Creostudios S.p.A.	Yes
Traent	Yes
Terra Felix soc. coop. sociale	Yes
Associazione Culturale Ateatro	Yes
Genio in 21 Giorni	Yes
Damiano Spa	Yes
Informa scarl	Yes
Bottiglieri & C. Sas	Yes
BAT Italia	Yes
Unidata S.p.A. Società Benefit	Yes
Hitachi Rail STS SpA	Yes
ADR distribution srls	Yes
Future Power	Yes
Little genius international SpA SB	Yes
Cassa Centrale Banca	Yes
MOROCOLOR ITALIA SpA	Yes
Tunisia 2	Yes
Ferrarelle Società Benefit	Yes
ICOP SPA SOCIETA BENFIT	Yes
Astea Spa	Yes
Pietro Fiorentini	Yes
LEGOR GROUP S.P.A.	Yes
SODAI S.p.A.	Yes

EUROSTANDARD SPA	Yes
Maddalena Spa	Yes
MARLEGNO SRL	Yes
Industria Cartaria Santo Spirito (ICSS)	Yes
Dusty S.r.l.	Yes
WIIT S.p.A.	Yes
EdiliziAcrobatica Spa	Yes
sogei spa	Yes
TEA - TERRITORIO ENERGIA AMBIENTE S.p.A.	Yes
Gori	Yes
Acquedotto del Fiora SpA	Yes
Tasca d'Almerita	Yes
Crocco Spa	Yes
Vitale Barberis Canonico spa	Yes
Yves Rocher Italia srl Società Benefit	Yes
Vastarredo srl	Yes
Media Consultants Srl	Yes
ROELMI HPC SRL	Yes
Battaglio Spa	Yes
Cassa Centrale Banca	Yes
Acqua Novara.VCO	Yes
Genio net	Yes
PromoTurismoFVG	Yes
Thinkplace srl	Yes
ERG SpA	Yes
Finivest congressi srl	Yes
FONTEMAGGI SRL	Yes
Servizi Edili ed Impiantistici srls	Yes
Open Source Management	Yes
Termotech italia	Yes
Fedabo spa SB	Yes

Nuovo Mollificio Astigiano snc	Yes
Mattioli SPA	Yes
Florrim SpA SB	Yes

One-to-one Interviews

These interviews were conducted with a cohort of companies that informed the research team of their willingness to be interviewed further, following the completion of the research survey.

Crocco S.p.A. – Ms. Morabito

In which market segment does your company do business and what is your role within it?

The company mainly produces plastic material for wrapping bottles of water, soft drinks or alcoholic beverages. The other macro-types are stretch film for the logistics sector or the food industry (i.e. transparent film that wraps, packs meat, vegetables, e.g. in the fruit and vegetable department in supermarkets). These are our main product types. Within the company, I am the sustainability expert, so I deal with environmental sustainability and coordinate all projects related to these aspects, such as obtaining process and product certifications, and in relation to the environmental aspects of the organization.

Based on your experience in this company, what are the biggest obstacles you encounter when it comes to reporting on sustainability efforts?

The biggest hurdle is the consumer's negative view of plastic and now all the plastic-free, no-plastic campaigns there are these days. I would say this is the main obstacle in our business.

What do you think about the current attention being paid to ESG indexing?

The attention is real, it is felt a lot. The requests from our clients have increased (also in the filling in of ESG questionnaires), so I notice a greater emphasis on these issues, primarily from our clients but also in the market in general.

What do you think should be the responsibility of those who do business with regard to sustainability issues?

Transparent and clear communication of one's sustainability goals, having an emissions reduction program, for example, and publishing the actions and results achieved and the goals to be achieved in the future through sustainability reports or similar publications.

How important is it for your company to achieve certain standards of performance?

There is a certain awareness on these themes, so it is important for us. Just a few days ago our first sustainability report came out, which we will publish next week on the website and on all our social channels. We have been analyzing the carbon footprint of our products and process for a few years now, so we determine the climate impact of our products and organization. We started long before this plastic case broke out, so it is not dictated by market logic, it is a corporate concern.

Do you think the ESG field is sufficiently regulated or do you feel there is a lack of common standards in this area?

On the subject of ESG, there are GRIs, which are the reporting guidelines used in the sustainability report, but it is actually not even mandatory to apply them in the report, so perhaps there could be much greater harmonization.

Do you know any Italian or European ESG certification bodies?

No, honestly no, I know the certification bodies but I cannot name names specifically.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

Yes, they could indeed harmonies reporting standards, that would already be a first step. Also, it would be important to pay more attention to the sustainability claims that companies make, because the risk of greenwashing is high.

Would you like your company to appear in our project?

Yes.

Dusty – Mr. Coco

Do you intend to be interviewed by stating the name of your company or anonymously?

It may appear.

In which market segment does your company do business?

Environmental hygiene.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

Participation of the interested parties. There is often a lack of knowledge, especially on the part of small companies, which do not feel involved.

What do you think about the current attention being paid to themes revolving around ESG indexes?

Social responsibility instruments have existed for years, there was no gap to fill. Perhaps it was necessary to talk about them a lot, even if there is now too much talk about them with too much confusion between certifications, attestations... For example the ESG target five. Companies are in a state of confusion.

Do you think the culture regarding sustainability issues among citizens and businesses is sufficiently rooted?

Little. It has an impact on work. Our service is carried out in the municipalities so we serve the citizens, who are our counterparts.

What do you think should be the responsibility of those who do business with regard to sustainability?

Being a key player in education and providing information. Be at the forefront of engagement. We talk about involving workers and stakeholders. This kind of engagement brings relief and benefits and is generally in the interest of the whole community.

How important is it for your company to achieve virtuous performance with regard to Environmental Social and Governance (ESG) aspects?

A lot, it is paramount.

Do you think the ESG field is sufficiently regulated or do you feel there is a lack of common standards in this area?

Not at all regulated it has been managed so far with GRIs, tomorrow there could be new European standards. There is a lot of confusion.

Do you know any Italian or European ESG certification bodies?

Studio Etico Leonardo.

Do you think that public institutions should pay more attention to the diffusion of a culture related to ESG aspects?

They should be responsible, they should be the leaders. The tendering entity should ask for proper certification instead of asking for certifications without ascertaining who the certifying bodies are.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

More supervision is needed. In tenders, certifications are required but there is no check that they are accredited. Any entity can issue certifications, and as they are private organizations there is a business behind it.

Edilizia Acrobatica - Ms. Pegazzano

Do you intend to be interviewed by stating the name of your company or anonymously?

It may appear.

In which market segment does your company do business?

Building and Construction

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

This is the first Sustainability Report for us, so I would not point out any particular obstacles as of now. Of course, like all firsts, you also have to organize yourself to think in terms of the future. New process flows begin. Certain data that were in our possession but had never been organized in terms of reporting before, now have to be pieced together correctly with respect to the GRI requirements. Depending on the balance sheet, the non-financial statement that is made, and following a materiality analysis, there are some KPIs that are indicated as material and others that are less material, so it turns out that some things are less impactful and some things are more impactful, but in absolute terms I wouldn't say that there were any particular obstacles to getting the data to report. Maybe there is one thing that is a little bit more difficult because of the way we are organized. We are present in about 100 locations in Italy with various offices, each with its own contract with the energy and water supplier. Being an office for which the consumption is domestic (which often passes through a condominium consumption that then distributes to the different condominiums), understanding exactly the consumption of water and energy and retrieving the data for the previous three years was not very easy. It is different for a factory that has its own generators from which it is easy to retrieve certain data. It can also be a false problem: since we are dealing with offices, it is not a type of consumption that we can consider material for our type of business, which is doing construction. So it is a very small part where it has been a bit more difficult to retrieve the data, but we have also started to organize ourselves to be able to do it more effortlessly in the coming years.

What do you think about the current, growing attention around the theme of ESG indexes, both in Italy and Europe?

This focus is something we are happy about and aligned with. We have always been very interested in the world of sustainability. ESG stands for 'environment, social and governance'. We are a construction company and by nature of our operations we have little environmental impact (we have no scaffolding, no overhead platforms). We have done a life cycle assessment on our main types of intervention from which this emerges. One material issue we definitely need to focus on, as we already do, is safety. People in general are important. Beyond formalizing this in a big funnel called ESG, these issues were already fundamental to us before. We are happy that it has gained relevance because it is also an opportunity for companies that were less focused on this to pay attention to it, a focus that has always been constant for us. And in any case, having it formalized within a budget this year allows us to address it in a more organized manner. In the past, certain actions were taken without a strategic plan or a sustainability business plan (which takes time and experience to build), but the focus has always been to align with Italian and European regulations. We have a presence in Italy, France, Spain and the Principality of Monaco, so any ESG-related indications cascade down to the various 'countries' (Italy being the prevalent one).

Do you think the culture regarding sustainability themes among both citizens and companies is sufficiently rooted?

The main parties are stakeholders and investors who, to some extent, revolve around the business and other companies and have a fairly widespread ESG culture. Let's say that among young people (up to 45 years old) and people who are up-to-date when it comes to ESG, there is some understanding. There is awareness but also research. The same candidate who sends the CV also evaluates the company with respect to ESG.

What do you think should be the responsibility of those who do business with regard to sustainability?

Companies have a great opportunity and also responsibility, especially if they have large volumes of both general and financial resources. Doing an all-round sustainable activity and communicating this both externally and internally means that the business can develop and be conducted in other ways. Last year we devoted team building moments to environmental sustainability and awareness-raising activities, to think about recycling, e.g. beach cleaning activities and recovering colours from fruit. Of course we don't expect 1600 people the next day to completely change their entire domestic culture, but maybe one in every 100 people will stop throwing cigarettes on the floor. The moment we explain that microplastics in the sea cause damage, something is achieved as feedback. In this sense the company has a certain relevance, because it has the opportunity to raise awareness among a fair number of people and to direct its policies towards certain goals.

How important is it for your company to achieve virtuous performance with regard to Environmental Social and Governance (ESG) aspects?

This is extremely important. On benefit societies as well as BCorp there is some controversial thinking. It is something I have started to look into to see if it is of interest to us. I need to understand if it is more a la carte. In the macro-world of ESG you have to be careful to distinguish the activities that really mean something from those that only make sense as a badge you put on your chest. We want to be aligned and be virtuous but for activities that make a difference. We are quite practical. Some issues are extremely important, including training: with a view to growing people and increasing motivation. For the type of resources we bring in, e.g. bricklayers who become wallman through rope work training, there is special training. We monitor the hours of training that are done. There is at least one day per month for technical training but also soft skills training. Another central issue is mobility: we have 100 sites in the territory and the average site-warehouse distance is usually small, so we have little impact on the territory from this point of view. If we reduce the number of trips and petrol consumed we can have an even lower impact. So there is a fleet replacement plan: by 2025 we aim to have a 90-95% green fleet. We don't want to fall into greenwashing but really make a difference. We are doing an analysis to find the right way to recover our everyday materials such as ropes when they are decommissioned.

Do you feel there is a lack of common standards in this area or do you think the ESG field is sufficiently regulated?

There are standards, but one has to be skilled at navigating between GRI and the various other standards. For companies, this means relying on very competent external companies that can follow projects. We chose a partner in sustainability reporting who helped us in the reporting process. From last year to this year, the standards have already changed. Everything I did last year is already no good. I need a company to support me again. This constant change does not help. Sometimes there are many activities that are difficult and then on a practical level they are simple. Maybe we need to simplify the whole thing.

Do you know any Italian or European ESG certification bodies?

By 'ESG certification' I am not sure what is meant. Sustainalytics gives us a sustainability rating, but this is not a certification. It is, however, a tool that helps you measure yourself if you set targets for improvement. For example, we went from 20.8, which corresponds to an average risk, to 11.8, which corresponds to a low risk, and to be able to maintain this rating or even improve it, means that we have concentrated and put in place concrete actions.
I am familiar with Bureau Veritas and the various ISO (product and service carbon footprint). There are various certificates, but they are quite specific.

Do you think that public institutions should pay more attention to the diffusion of a culture related to ESG aspects?

Yes.

Do you think public institutions should be monitoring the phenomenon of greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

It would be correct if concrete instances of improvement were identified by sectors, and that there was a qualified and authoritative body dealing with these issues. At present, the concern is not to invest time in unnecessary matters, but it is necessary to investigate well before taking a decision. Certainly an observation and analysis by a body that can regulate and sanction would perhaps also be convenient. It would be nice, if you sanction, to have precise rules with real, practical examples! First and foremost, to avoid investing time and money in something that in fact only represents a badge and not a real breakthrough.

ICOP - Mr. Milesi

Do you intend to be interviewed by stating the name of your company or anonymously?

It may appear.

In which market segment does your company do business?

Benefit company in the construction sector.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

The owner has always done voluntary initiatives, collaborations with non-profit organizations in the area. The relevant information is available in the office of Sustainability, Quality, Safety. There have been no problems from the point of view of sources. We had a problem on how to draw up the sustainability report, do the non-financial statement, follow the impact assessment as done in the last year and the notes to the accounts by the consultant. Next year we will do the sustainability report again following the GRI.

What do you think about the current, growing attention around the theme of ESG indexes?

Reporting from a governance perspective has been important. In the last year and a half, a leadership team has been set up with subgroups: there are delegates of the owner to report and propose initiatives from an ESG perspective, each with specific roles. The social performance team deals with all sustainability issues and there are people for social, governance (owner, Board of Directors) and environment (Mr. Milesi).

Do you think the culture regarding sustainability issues in the Italian and European societies is sufficiently rooted?

In Italy it is less than abroad. Scandinavia is much more careful. You could not show up with operating machines that were not sustainable (no older than 3-4 years). Here, the importance of decarbonization, energy efficiency, gender equality is still not properly understood. The construction sector is even further behind the average. Construction site management is very vertical. Very few site managers have emerged to replace the old site managers.

What do you think should be the responsibility of those who do business with regard to sustainability?

Responsibility should lie with the Board of Directors.

How important is it for your company to achieve virtuous performance with regard to Environmental Social and Governance (ESG) aspects? And why?

Very high.

Do you think the ESG domain is sufficiently regulated? - Do you know any Italian or European ESG certification bodies?

No.

Do you think that public institutions dedicate enough attention to the diffusion of a culture related to ESG matters?

Yes.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

BCORP is an international certification. My company has applied for BCORP even though it takes a long time. For the past year and a half. We are now collecting the first feedback and in a few months there will be the audit. As part of this certification, it was asked whether ICOP worked for controversial customers, and what percentage of turnover it received from such customers. For example, in the oil and gas sector. We work for SNAM, which manages the gas infrastructure. They do microtunnels. We dig with machines, with moles, one meter diameter tunnels where either a gas pipeline or a power cable or cables from a wind farm can pass through. But some stages of production are out of our control. It does not seem very fair to me to go and assess us for the actions of others.

Ferrarelle - Ms. Panella

Do you intend to be interviewed by stating the name of your company or anonymously?

It may appear.

In which market segment does your company do business?

Mineral Water.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

Certainly one of the biggest hurdles was to communicate and make all employees understand the importance of sustainability issues and their reporting. This is because sustainability issues are still poorly known; therefore, our work was firstly to make people understand the importance of these issues in order to create a real company philosophy and, secondly, to involve all the company functions that are directly or indirectly involved in the collection and processing of data useful for reporting. The aim was therefore to make it clear that these are not secondary issues, but must go hand in hand with 'typical' ones, and to clarify how data must be collected and monitored. This was the first and most significant obstacle we encountered.
Communication activities (no proper training) are planned: monthly we hold meetings where managers present the company's achievements and, among other things, the activities carried out in terms of sustainability in order to communicate and make people understand the importance of sustainability. Training activities, mainly related to data collection and processing, are planned as early as next year.

What do you think about the current, growing attention around the theme of ESG indexes?

In my view, the growing attention to ESG indices is strongly influenced by certain phenomena such as, for example, globalization, the ever more frequent economic and financial scandals, the attention paid by public opinion to environmental and social issues, and the rise of the figure of the responsible consumer, which have profoundly affected the concept of Social Responsibility and the importance of gearing one's management approach towards it. Indeed, companies are increasingly being asked to participate in improving the economic, social and environmental context in which they operate. From this point of view, a CSR-oriented and ESG-related approach is a response to the pressures and expectations of all stakeholders.
From a formal point of view, there are international standards that guide companies in the management of these issues and their reporting, but there is a gap at the regulatory and level. As practical example, in January 2021 Ferrarelle became a Benefit Company. Italy was the first country in Europe and the second in the world to introduce such legislation, offering companies the possibility of changing their corporate purpose and taking on the legal form of a Benefit Company (a hybrid business model halfway between for-profit and non-profit companies). Despite this, the legislation in question is very flexible: companies

that decide to become Benefit Societies voluntarily decide to take on further obligations at a legislative level (especially linked to the pursuit of specific common benefit objectives identified in the Articles of Association and to the drafting of the Impact Report to be attached to the statutory financial statements), but wide discretion is left to the directors in deciding which goals to pursue, how to achieve these goals and, in addition to the minimum content required by the legislation, which subjects to report on in the Impact Report. The guidelines offered are, therefore, very vague. Despite the international standards, which remain an important reference, more guidance would be needed at the legislative level, both national and European.

Do you think the culture regarding sustainability themes among both citizens and companies is sufficiently rooted?

Not at the moment, it is a growing path. These issues are becoming more and more important, whereas they were not a few years ago. Before, adopting a sustainability-oriented management approach was the exception.
Consequently, it was easier to stand out and distinguish oneself from competitors. Today, this is becoming the norm. The same applies to individuals who, thanks in particular to the media, are influenced by the culture of sustainability not only in their daily activities but also, and above all, in their purchasing choices. In fact, the category of responsible consumers, i.e. those who orient their choices by taking into consideration, in addition to quality and price, other variables such as ethicality or the social and environmental impact generated by the products and services they purchase, is becoming increasingly popular.

What do you think should be the responsibility of those who do business with regard to sustainability?

The primary concern is to take into account the interests of all individuals who interact - directly or indirectly - with the company. This is because the company is not isolated but lives and survives thanks to the relationships it is able to establish with its various stakeholders. It is important to take these expectations into account and ensure that part of the value generated is distributed to all those who have participated in producing it, first and foremost to internal stakeholders, but also to society at large.

How important is it to achieve virtuous performance for your company with regard to Environmental Social and Governance (ESG) aspects?

A great deal. We are a Benefit Company and, as such, we believe that environmental and social objectives are just as important as economic ones. To do this, we constantly strive to pursue the specific aims of common benefit identified in our articles of association and to ensure that the expectations of all stakeholders are taken into account and respected.

Do you feel there is a lack of common standards in this area or do you think the ESG field is sufficiently regulated?

There are several reference standards that are commonly used. Among these, the most important and most widely used by companies all over the world is certainly the GRI, a standard born with the aim of providing a set of principles and guidelines for the drafting of the sustainability report and, at the same time, to promote the process of harmonization and standardization of its contents at an international level. In addition to the GRI, the Sustainable Development Goals identified by the UN in the 2030 Agenda are also an important reference point, representing common goals for sustainable development. In addition to being comprehensive and continuously updated in response to the changing context of our times, these standards provide important guidelines on what one's own ESG objectives should be, what activities should be carried out to achieve them, and, in general, how to steer one's own management approach to sustainability.

Do you know any Italian or European ESG certification bodies?

No.
Since 2015 we have prepared the sustainability report on a biannual basis (using the Global Reporting Initiative as the reference standard) in order to report on our sustainability achievements, and since 2021, annually, the Impact Report (using the Benefit Impact Assessment as the reference standard).

Do you think that public institutions should pay more attention to the diffusion of a culture related to ESG aspects?

Yes, a greater diffusion of ESG-related ideas and concepts would make people and organizations more aware of the importance of proactively participating in improving the economic and social environment by strengthening their Social Responsibility.

Do you think public institutions should be monitoring the phenomenon of greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

Yes, more attention should be paid to greenwashing phenomena, both to prevent organizations from resorting to the diffusion of untrue or partially untrue information in order to gain a competitive advantage, and to avoid that sustainability information disseminated, although real and verified, is used to emphasize only the 'most sustainable' aspects and, at the same time, conceal other aspects that are clearly contrary to ESG principles. Moreover, the establishment of specific sanctions for such phenomena, and greater regulation of them, could be an excellent lever to push organizations to adopt and communicate genuine initiatives that are strongly rooted in their corporate philosophy and, at the same time, to reward companies that can actually be considered virtuous in terms of sustainability.

Legor Group - Mr. Pegoraro

In which market segment does your company do business?

We are in the jewelry supply chain, but we are very much moved up the chain. Now we are also moving a little bit into industrial design.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

So, I have to say that until a few years ago there were no standards to refer to. Now there are GRIs and other standards so you have to choose the one that fits best. There are these standards but none are recognized by government bodies. Europe itself is about to publish the new directive on Corporate Sustainability Reporting any day now, but it is not yet known whether the reporting requirements will be fully covered by the GRI standards. Until there is a direct and clear indication, it will also be difficult to organize data collection and consequently reporting.

What do you think about the current, growing attention around the theme of ESG indexes?

In some respects, it is about time attention was paid to this kind of topic. By contrast, there seems to be a lot of hype and little substance. Being able to measure and give evidence of what companies actually do is crucial.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

These are two things that must go side by side. Companies must understand that this is an approach that is needed to ensure their existence in the first place. It is therefore crucial that the efforts are real and not mere posturing. The other aspect is that in any case a company that does sustainability operates in an ecosystem. The institutional part, which is part of it, must somehow facilitate both the adoption of these good practices and the control of untruthfulness in reporting.

Do you think the culture regarding sustainability issues in the Italian and European societies is sufficiently rooted?

A distinction has to be made in terms of age groups. Interest is much more divided among people of a certain generation. Young people are much more attentive and make much more consistent consumer choices. There is no uniformity, but there is a different sensitivity among different age groups.

What do you think should be the responsibility of those who do business with regard to sustainability?

As Legor is a family company, the long-term commitment to ensure sustainability for those who will come after is an implicit principle and objective. This long-term perspective means that choices, actions and the way they make investments are geared towards these goals.

How important is it for you to achieve virtuous performance with respect to these issues?

As mentioned above, it is implicit in the very structure of the company so it is absolutely important. What is less self-evident is to make it obvious.
We do not yet have a sustainability manager within the company, but we do have a team that takes care of the sustainability part. Of course there are different sensitivities within the company.
To achieve the goals and then share the results correctly, it is important to choose someone who has sensitivity but above all competence and governance.

Do you know any Italian or European ESG certification bodies?

Institutions no, but companies that do this type of activity yes. There are the 'big four' that have proposed to do this kind of activity and now there are also local companies trying to propose themselves as consultants and certification partners.

Would you like to be mentioned in the project?

We have no problems in this respect. We participate whenever possible because participating and sharing is part and parcel, it serves to engage and create an ecosystem that is more responsive.

Maddalena S.p.A – Ms. Arizzi, CSR Manager

In which market segment does your company do business and what is your role within it?

The company operates in precision engineering and I am in charge of marketing and corporate social responsibility. I was the one who introduced the topic of sustainability in the company and was soon given the role in the organizational chart. In my function I report directly to the sales manager and the BoD.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

The main hurdle is to push forward a concept that has perhaps been somewhat overblown lately, which is that of sustainability in itself. The fear is that marketing then wants to do greenwashing. So my task was to start from a mapping of the actions implemented by the company in the 100 years prior to my arrival, based on concrete facts. Everyone asked me, starting with the board: 'But is it true that we put in place all these good practices? Why have we never said this before?" Unfortunately, many actions were being done, but they were not recognized as actions pertaining to sustainability. There was a need for methods and criteria to map them in this sense.
By using reasoning and analysis methods such as ISO 26000, Agenda 2030 and GRI Standards, we have put everything in order. Now the point is to be able to put stakeholder engagement in place, i.e. to be able to bring home the teamwork, also of colleagues who must be confident with me and the management on this project. Just a few days ago we had a meeting, a 'sustainability focus group' in which our area managers, across the board, were informed of all the material issues that we have mapped this year with a view to writing the social report. While in some departments it is the market that drives demand (as in the commercial area), for others the market is not yet so strong as a driving force and therefore we may not understand the value of these actions. Thus the biggest obstacle is involvement, at all levels.
Our case, moreover, is perhaps a little anomalous: we are stronger from the governance and social point of view and not from the environmental point of view. We are not an energy-intensive company, we are not a polluting company, we have been ISO 14000 certified for many years. We have now embarked on an LCA study, which was really something new. On the other hand, from a social and governance point of view, so many things have been done over time that putting them down on paper was really a simple and effective way of highlighting them in the eyes of the employees.

What do you think about the growing attention around the theme of ESG indexes?

For us, thinking in terms of ESG ratings was very helpful in the sense that they were part of the mapping. For one thing, the market asked us to undergo an ESG rating. We did this through EcoVadis. I must say that the result was excellent: we filled it out ourselves with the help of the quality manager and took home a silver medal in the first year. In repeating this process, we really tried to involve all stakeholders to try to get an even higher score.
Another ESG rating we came across was the Sustainability Awards, an award sponsored by Credit Suisse and Kon Group with the Catholic University of Rome. That was also a bit of an exercise for me. We tried to nominate ourselves, and the first year we were in the Forbes Top100, so it was very helpful for me to highlight, in the eyes of everyone, the importance of this issue. Personally, I had a huge doubt that the ratings were different from each other, and instead I have to say that the two ratings we submitted to match perfectly. They can therefore be a good indicator for identifying strengths and, more importantly, weaknesses from which to base future strategies.
The ESG indicators also came in handy from a communication point of view, to provide a good summary from a graphical point of view. This is also reflected on our website. I like this idea, it seems simple and effective.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

Absolutely, although I must say that PNRR, confindustrial bodies, banks, credit institutions, they are all aligned. By 2025 everyone has to present a sustainability report: some sooner, some later, we are all going in that direction, which is the right one.
As far as supervision is concerned, I think it should be more up to the conscience of the individuals working on this issue and the intellectual honesty of the consultants one chooses to rely on. Our communication campaign on ESG issues is called 'actions before words'. In our vision, changes and improvements must come gradually.
Furthermore, there is an association in the Friuli region called Anima Impresa, which has been working for many years to create a network of companies that talk about sustainability. Based on the work of professionals (accredited and who put their faces to it), it brings together companies and experiences in a transversal and transparent manner with each other. Transparency is the first thing and for us it was essential to rely on this association.

What do you think should be the responsibility of those who do business with regard to sustainability?

In our case, the 'governance' part came first: if the head does not believe in it, there is no point in going ahead. So ownership was engaged, believed in it, and wanted to see for themselves that we did not fall into greenwashing.

Do you think the culture regarding sustainability issues in the Italian and European societies is sufficiently rooted?

I think it is still insufficient: we need to create culture among young people, we need to go into schools, we need to start educating them from when they are kids to create an awareness that will lead us towards a different world. Next monday I will be in a local middle school to talk to the kids about sustainability, explaining that it is a concept that pervades everything. If you buy a mobile phone, there is a whole supply chain behind it that goes all the way to the tree that is cut down. There has to be responsible consumption, there has to be awareness. Always keeping the 2030 Agenda in mind, everyone can do their part. At the moment, our generation, our parents' generation, and perhaps even our youngest generation thinks that the world will continue to move forward in the face of the pollution we continue to produce. Climate conferences and similar events have not yet been enough to stir consciences As I always tell children: there is no Planet B.

Institutions should contribute by propagating culture in this area, to explain that besides profit, there is the planet and people. I also like the Treccani definition: 'sustainable is that which can stand upright'. I happened to compare it at a conference to a stool with three legs: if you take one of them away, it falls over. I think it is fitting: the person is at the center and makes the difference.

Do you know any Italian or European ESG certification bodies?

Ecovadis and a few others. Apart from those mentioned above, I do not know of any others, but I would possibly go and assess them in detail if they should contact us.

Do you think the ESG domain is sufficiently regulated?

The transition we are making between now and 2025 will be fundamental (CSRD). Companies, partly because they believe in it, partly because they don't want to come last, will all adapt to the standards. The more stringent the standards become, the more substance will be enhanced.

Would you like your company to appear in our project?

It's something I care about, so I'm glad that we are lobbying and going in the right direction.

Vastarredo – Mr. Salvatorelli, CEO

In which market segment does your company do business?

We have been producing school furniture for 67 years, this is our core business.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

There is a problem today with ESG indexes, represented by the 17 UN SDGs. There is no standard to certify a sustainability report or an ESG rating. We work within the European framework, public procurement is regulated by the NAP GPP. So far, we have followed all the standards set out in the GPP NAP, all referring to the ISO standards recognized worldwide quality ISO9001, environment ISO14001, environment EMAS, safety ISO45001, energy ISO50001 anti-corruption ISO 37001, social SA8000, environmental product certification ISO14024, all certifications we hold from third-party bodies. When we argue ESG, it is as if we forget the pre-existing standards and deal with another language. Another important thing: we are part of the Presidential Council of Federlegno. We have developed with the Ministry of Ecological Transition the minimum environmental criteria called CAM for supplies to the public administration. These are all standards set out in the aforementioned Green Public Procurement valid in Europe, and all certifications follow a well-defined standard at a global and European level. We often find incompetence in consultants, they do not know the difference between a supply to private individuals and a supply to public administration. We only work for the public administration, which has premium standards. When we take part in a tender organized by Consip or IntercentER (which is the Emilia-Romagna region's central purchasing body), they reward the companies participating in the tender if they have SA8000, ISO37001, ISO9001, ISO14001, ISO50001, and many other certifications issued by third parties.

What do you think about the growing attention around the theme of ESG indexes?

ESG indices are perfect, but from what I could see, they are mostly self-reported. For all the certifications we have, there are checks. For SA8000, there is a half-yearly check by the certifying body that comes to verify all the topics covered in that standard are respected. The ARTA (Abruzzo Region), following EMAS certification, comes to the company to check in person from the meter the water consumption and all the emissions. With reference to environmental product certifications, we are Ecolabel certified. The Danish NORDIC Ecolabel company comes to the company to check every document and every material. They never rely on self-declarations. Everything else moves on a parallel world that is only political and does not match reality.

Do you think the culture regarding sustainability issues in the Italian and European societies is sufficiently rooted?

There is a lot of talk about environmental issues, topics such as Circular Economy and Sustainable Development are the most frequently used words in recent years. If there are no standards, it is not possible to evaluate them using a method that is valid for everyone.

What do you think should be the responsibility of those who do business with regard to sustainability?

This is a very important matter, because those who do business are on the ground, so they have first of all a social impact. We are citizens of the world, so any activity has first a social and then an environmental impact, so it is very important to keep these aspects under control. However, in order to allow a useful comparison between companies that claim to be virtuous, there is a need for parameters to be set and to move beyond self-declarations or self-declared questionnaires.

How, and when, is it important for your company to achieve virtuous performance?

This is very important, because it has become a corporate way of life to be able to measure oneself against different, improving values every year. It is a way of life to be able to define continuous improvement plans through the achievement of increasingly high performance, environmental, social and governance goals. All on a voluntary basis.

Do you feel there is a lack of common standards in this area or do you think the ESG field is sufficiently regulated?

As far as ESG is concerned, it is not sufficiently regulated as of yet.

Do you know any Italian or European ESG certification organizations?

Yes.

Do you think that public institutions should pay more attention to the propagation of ESG-related culture?

Yes.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

Of course, especially in the absence of a common standard.

Would you like your company to appear in our project?

Yes, of course.

Vitale Barberis Canonico – Ms. Maiocchi

In which market segment does your company do business?

Vitale Barberis Canonico operates in the textile sector and creates classic fabrics, mainly in wool, for men's clothing and more.

Based on your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts from your point of view?

In relation to sustainability reporting I would mention two.
The first concerns the general level of attention on the more technical aspects, which, especially in manufacturing, are made up not only of narrative, but of numbers, analyzes, in-depth examinations that, let's face it, often lack narrative appeal. The organization's great effort in sustainability reporting is therefore appreciated more by insiders than by all our stakeholders. We have therefore supplemented our sustainability report with an extract, which is more immediate and fluent for users less involved in technical issues.
We also ran into a particular obstacle in finding the issues to report on. An obstacle yes, but one to be proud of. Let me explain: the cultural context of our employees leads them to consider 'knowing how to do things well' in their daily lives as unworthy of note. For example, our plant manager finds it 'normal' to study, propose and make continuous investments in ever more innovative solutions to ensure energy savings, safer departments, less water intensity, just as the person in charge of recovering and revaluing production waste has always considered it part of his job, so why should we waste time talking about it?

What do you think about the focus on ESG indexes?

They promote awareness. I think this attention is a great opportunity for us. It finally puts a spotlight on those who invest in these issues.
Personally, I don't think it should be seen as a competitive factor. Today's more

conscious consumers should switch the focus from the 'what' to the 'how', from merely assessing the quality of the product to paying attention to how it was produced. Sustainability issues should become an intrinsic characteristic of the purchase, such as colour, softness, cut, etc.
The evaluation of the product offering, the ability to generate income and consequently the value of the companies themselves cannot be separated from the change of awareness taking place in the market.

Do you think the culture regarding sustainability issues in the Italian and European societies is sufficiently rooted?

We have a strong increase in visits on our website, in the sustainability section, and on our social channels. We believe that it is the younger people who are more attentive, although our market is not aimed at the very young as we deal in fabrics for men's formal suits. We don't have direct feedback yet, except from those brands that are more aimed at young people or those who surf more on the issue.
We can work to increase the level of awareness, but various cultural obstacles persist. The data tell us that the market that is looking for a sustainable product is in most cases still not willing to spend much more for it: faced with two products whose perceived quality is similar but whose price is very different, the one that costs less is all too often chosen, turning a blind eye to the reason for the low cost. Consumers are generally informed but then those who act accordingly are still too few. Shall we talk about fast fashion? The question to ask during a purchase is: but if it costs so little, who pays for what I do not pay? Usually the bill is paid by those who physically created the product, or in the best cases the pre- and post-consumer environment.
Today's consumerism is anachronistic, it needs to be unlearned.

What is the responsibility of those who do business with regard to this matter?

We produce high quality, durable fabrics that are produced with respect for people and the environment and are therefore priced accordingly. It is in our interest that the 'know how' messages get through and become a relevant topic. It is a great opportunity for us to be appreciated.

How, and when, is it important for your company to achieve virtuous performance?

A great deal. We invest a lot of money. Certainly it is a journey, every day we add a little piece.

Do you feel there is a lack of common standards in this area or do you think the ESG field is sufficiently regulated?

Standards are even too many, but unfortunately the 'common' ones are very rare. Everyone tries to assert their own standard. A virtuous example is perhaps that of chemistry, where the ZDHC standard has become predominant, making dialogue throughout the supply chain actually easier. The other ESG issues, on the other hand, lack adequate attention in this respect, but the legislator should intervene, and for the moment they are still missing. The fact is that the textile-clothing industry is a very complex world, diversified, fragmented in terms of raw materials, processing, supply chains. It is not easy to choose and impose common standards. And the simplification of nuances is not always the best choice.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

Fortunately, it is an issue to de dealt by public institutions. Here, too, we are awaiting developments.

Do you know any Italian or European certification organizations?

Certainly. We have chosen to be certified ISO 9001, 14001, 45001.
Today the world of certifications is very active. In our industry alone there are dozens of them, somewhat similar but different. Like the sustainability standards for brands, they make up for a lack at government level.
Today, certification bodies and brands, with the best of intentions, propose and/or impose their own sustainability standards on the supply chain. The principles, like the objectives, are certainly similar, but the standards somewhat differ. The supply chain thus finds itself entangled in an endless bureaucracy chasing this and that standard. Instead, there should be a common standard, made up of industry best practices and imposed at a legislative level, possibly European, and also imposed on those incoming goods that often lack controls and regulations.

Do you think that it is a duty of public institutions to pay more attention to the propagation of ESG-related culture?

Institutions are certainly lagging behind. Standards must be set and imposed at the European level.
The objectives of these standards must be very challenging, and the huge investment and technical time required for adaptation, especially in the industrial sector, and the time required for cultural change at the level of raw material supply must be taken into consideration.

Of course the subject is complex and simplifications are very risky. Let us talk, for example, about a system of environmental impact calculation that seems to be getting closer and closer to being imposed as a standard, the PEF calculation, which takes into account various impacts, including product-related C02 emissions. It is a complex calculation, but not yet perfect. At the moment, it does not take into account, for example, the end-of-life of the product or the release of microplastics during the life cycle and washing. The result is that this calculation shows an important impact for natural fibers, in our case wool, where the gaseous emissions from the sheep's digestive system account for 80-90% of the product's CO_2 emissions. Thus the consumer who reads the PEF-related sustainability index 'tag' is led to consider a natural fiber product less sustainable than one made of plastic.
We count on the legislator to take into account the complexity of the issues in our industry.

Would you like your name to appear in the search?

Yes, gladly.

Yves Rocher – Ms. Di Tonno

In which market segment does your company do business?

Cosmetics.

From your point of view and in relation to your business experience, what are the biggest obstacles your company faces in reporting on its sustainability efforts?

We have to make an introduction first. We have become a Benefit company like Yves Rocher Italia, and then there is the whole group that has the goal of becoming B Corp by 2025. So in reality we are working on two fronts that travel parallel and are closely linked, with some characteristics, some peculiarities. In reporting, we don't do the sustainability report, but we use the BIA to check our strengths and weaknesses, what we need to work on. The fact that we have a subsidiary and that in Italy there is no production of products because everything is in France (specifically in La Gacilly, Brittany) leads us to have more problems in reporting, because on the environment area we have less to say. We can talk about logistics and distribution, but on the production side we cannot say anything, except to inherit some answers from the Group and the parent company. These, however, count to a certain extent in terms of reporting, so let's say we are limited in this sense. Not having production in Italy is really a choice of the company and the founder. The desire is to try to create a virtuous economy, to control all production processes, to have no intermediaries and thus bring products to the market that are both effective and commercially accessible to all.

What do you think about the focus on ESG indexes?

We actually did an evaluation of the ESG indices last year: we participated in a Sustainability Award so we answered this questionnaire and then shared an evaluation. I think they are absolutely important to define the sustainability path a company is taking. What I think could be useful is more uniformity in the definition of a sustainable company. To become a B Corp you have to have the BIA, the sustainability report which is not compulsory. There has to be a common line, so that everyone can check their sustainable development status equally and consistently. Maybe a company can become a B Corp because with the BIA it reaches my score of 80, but it does not necessarily have equal performance in the ESG area. You need assessment ranges that are fair.

Do you think the culture regarding sustainability issues in the Italian and European societies is sufficiently rooted?

No, it is not yet rooted, but also because there is a lack of a substratum of knowledge. Above all, institutions also need to convey sustainability concerns. There must be education, there must be knowledge, there must be communication. Sometimes choices are also made (on fossil fuels for example) that are not consistent with the idea of moving towards renewable energy. So there has to be a unity of purpose between the companies: the companies have to commit, but the institutions have to support, otherwise the citizen does not know where to go. The citizen, in turn, has a responsibility to inform themself. Because of the very rapid dissemination and use made possible by digital tools, the citizen often stops at the 'catch-all' headline but does not delve into the subject. Institutions, companies and citizens themselves must engage, broaden their knowledge and communicate.

What is the responsibility of those who do business with regard to this issue?

So many companies are trying to work to create networks. I give the example of Davines, the best known, which has created a B Corp, a network of cosmetics companies. This is a demonstration that companies, even if they compete commercially, can get together and try to pursue sustainability-oriented projects. The lack of laws that make it easier for companies and citizens to choose the path of sustainability is a brake on all efforts. Companies have a great responsibility and institutions have an equally great one.

How important is it for your company to achieve virtuous performance in relation to these indexes?

It is extremely important. The company was born in 1959 from the dream of a man who was considered crazy for saying two fundamental things in the late 1950s, at the height of the economic boom. First, he decided not to move the company to the city: by staying in the suburbs he wanted to give the area of La Gacilly (in Brittany) the chance to grow and have the economic development it deserved. Secondly, his company aimed to produce products that were accessible to everyone in terms of cost, but that were respectful of the skin and the planet. In other words, that would give a little back to nature what nature gives us every day. These were pioneering decisions for the time.

The focus on sustainability is definitely ingrained in the company's DNA, it is our core mission. Now the goal is to formalize all these commitments. We are realizing that it is more a matter of formalizing practices that the company has already been carrying out for some time. There is an awareness that in future there will be a new way of doing business: pursuing business and profit, but always with a focus on environmental and social sustainability and favoring solutions that allow everyone to create a work-life balance. It is a continuous and long work, because the mentality really has to be changed. My luck is that I work in a company where this mentality was already present, so now we just have to push the accelerator as hard as possible.

Do you feel there is a lack of common standards in this area or do you think the ESG field is sufficiently regulated?

No, there is some confusion. It is already complicated for those who work in it, let alone those who do not know this world. This can generate some episodes of greenwashing, which also arise unintentionally with respect to what is the identity of the company. Let us not always look negatively at what is being done: behind greenwashing episodes there is not necessarily cunning or the search for easy applause, there is also a lack of knowledge. There is no one-size-fits-all regulation and now it is also becoming a bit of a trend that everyone wants to chase, but at the same time a path to understanding is needed.

Do you think public institutions should be monitoring the phenomena of 'false ESGs', greenwashing, non-genuine declarations, etc., and possibly sanction companies guilty of deliberate malicious ESG declarations?

Yes, institutions cannot wash their hands of it, but the responsibility is not theirs alone. It is a job that must be coordinated between the various actors involved.

Do you know any Italian or European certification organizations?

Honestly, I don't have much knowledge on the subject. Last year we participated in the Sustainability Award, working together with Credit Suisse and the Kon Group. They took our answers, analyzed them, explained their methodology of automatic algorithms and then extrapolated a score, divided into different areas. We did not participate again this year. The expenditure of time, energy and resources to answer the questions was significant, even though it was a free prize. One feedback we gave the organization of the Award was that the timeframe to complete the questionnaire (more than 100 questions) was very tight. However, we had to involve specialists and technicians to answer these questions, for example regarding the environment, distribution and logistics. They are the only ones we interfaced with as Yves Rocher Italy.

Do you think that it is a duty of public institutions to pay more attention to the propagation of ESG-related culture?

Also and not only. Companies, institutions, all those involved in general must have the same view in mind. In the absence of this uniformity of vision, those who go against the environment will always be justified ('the law says this, I can do that'). It is a bit of a mentality of ours, but as long as there is no uniformity of intent, it becomes impossible to try to find solutions that are virtuous and that are regulated.

Would you like your name to appear in the search?

Yes, gladly.