Corporate Social Responsibility and Firm Performance: State of the Art and Perspectives in Social, Environmental and Sustainability Performance Management

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Abstract

Over more than forty years many proposals have been drawn up to complement, integrate and overcome the traditional methodologies measuring the financial dimension of corporate performance. In parallel, thousands of companies, and especially the listed ones, have introduced, developed and implemented different practices of non-financial reporting.

So, what is the state of the art with regard to the most important initiatives aimed at supporting companies in managing social, environmental and sustainability performance?

And, what are the current corporate approaches to sustainability evaluation and reporting?

In order to answer the two research questions, the study introduced a collaborative paradigm, based on a relational view of the firm, which recognizes the strategic value of stakeholder relationships. The stakeholder framework (that is, the multiple bottom line approach) is the lens adopted to conduct the study.

With regard to the first question, a broad and up-to-date review of the most important standards and tools – aimed at managing, controlling, evaluating, and reporting the social, environmental and sustainability performance of companies – has been carried out.

In reference to the second question, a qualitative content analysis, based on an interpretive perspective, of the current corporate practices has been conducted. The investigation mainly explored the social/CSR/sustainability reports of sixteen leading companies from four crucial industries (i.e., four firms per each of the four industries: banks, retailing, telecommunications, and utilities). In comparison with previous contributions in this area, the analysis is characterized by depth (that is, the number of items checked for every company), breadth (i.e., the number of stakeholders and documents/information sources covered), and complexity because of the interpretive nature.

What emerged from the overall study is that, because of several and different reasons (essentially, complexity and the still prevailing focus on financial value for management tools; redundancy and incompleteness for corporate reports; and lack of innovation, that is, isomorphism, for both), the prevailing methodologies and the corporate evaluation and reporting activities are unable to fully assess the sustainability, that is, the quality, of the corporate relationships with the stakeholder groups.

Therefore, in order to fill the gap new solutions are needed. As an attempt to address this point and reconnect theory and practice, a sustainability evaluation and reporting system, that is, the SERS^2 methodology, characterized by an innovative, stakeholder-based scheme of integrated report, has been advanced.

Key Words

Collaborative paradigm; Integrated report; Multiple bottom line; Qualitative content analysis; Social/CSR/sustainability reports; Stakeholder framework; Sustainability evaluation and reporting

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Introduction

Research Problem, Questions, and Objectives

According to the title of one of the final and most influential papers by Sumantra Ghoshal (2005), '[b]ad management theories are destroying good management practices'. In particular, the still prevailing management theories, such as the agency theory (Friedman, 1970; Jensen and Meckling, 1976) or the five forces model by Michael Porter (1979, 2008), dominated by the 'pretence of knowledge'[i] and a negativistic and pessimistic view of human nature, have fostered irresponsible management practices to the detriment of the same shareholders, and, more broadly, of the present and future generations and the natural environment[ii].

[i] See chapter 3, paragraph 3.2.2.

[ii] 'Whether right or wrong to begin with, the theory can become right as managers—who are both its subjects and the consumers—adapt their behaviors to conform with the doctrine… [T]his is precisely what has happened to management practice over the last several decades, converting our collective pessimism about managers into realized pathologies in management behaviors' (Ghoshal, 2005, p. 77). For more on this topic, see Ghoshal and Moran (2005), and chapter 1, paragraph 1.2.1. More generally, for a contribution to an alternative theory of the firm based on a collaborative and relational view, see chapter 1.

The research problem[iii] at the basis of this thesis is deeply rooted in the reflections and concerns generated around this premise and backed by the experience gained in more than twenty years of academic activity in the CSR/corporate sustainability field. In particular, it is as follows:

- Are the current managerial methodologies and praxes in the corporate performance evaluation and reporting field adequate to address the urgency of the sustainability challenge?

The two research questions derived from the research problem, which the thesis aims at addressing, are the following:

- What is the state of the art with regard to the most important initiatives (that is, tools, standards, guidelines, and so on) aimed at supporting companies in managing social, environmental and sustainability performance?
- What are the current corporate approaches to sustainability evaluation and reporting?

[iii] ‘A research problem is a statement about an area of concern, a condition to be improved, a difficulty to be eliminated, or a troubling question that exists in scholarly literature, in theory, or in practice that points to the need for meaningful understanding and deliberate investigation. In some social science disciplines the research problem is typically posed in the form of a question. A research problem does not state how to do something, offer a vague or broad proposition, or present a value question’ (USC Libraries, 2014). Furthermore, ‘[t]he different research methodologies and techniques are simply a set of tools that the researcher can use to address the particular… research problems’ (Lancaster, 2005, p. 76; see also, on this topic, Crowther and Lancaster, 2008, p. 85 and others).

Finally, the research objectives, which the present work intends to accomplish in order to answer the research questions, are as follows:

- advancing the collaborative enterprise perspective, supported by a relational/stakeholder view of the firm, which stresses the strategic value of the relationships with stakeholders. The collaborative paradigm entails important implications for the definition of corporate success and the related corporate performance evaluation and reporting systems. Therefore, it should represent the theoretical framework underpinning the entire research[iv] and, through the multiple bottom line approach[v], the specific lens to be used in order to analyze corporate practices and also assess the effectiveness of the managerial methodologies[vi];
- presenting a broad review of the most important initiatives in the social, environmental and sustainability performance management field;
- providing a deep and innovative analysis, according to a stakeholder framework, of the current corporate practices in the sustainability evaluation and reporting field;
- defining a set of proposals to further improve methodologies and practices on the basis of the results previously achieved and in order to reconnect theory and practice.

[iv] See chapter 3, paragraph 3.2.3.

[v] See chapter 1, section 1.6.

[vi] See, in particular, chapter 5, section 5.2.

The investigation carried out to address the research problem and questions and achieve the stated objectives is presented in the next chapters. In the following section the structure of the entire work is detailed.

Structure of the Work

When we talk about corporate social responsibility (CSR) we should recognize that it is not simply an expression of philanthropy or a peripheral topic but a core strategic issue. As stated by Dahl (1972, p. 18),

> '[E]very large corporation should be thought of as a social enterprise; that is an entity whose existence and decisions can be justified insofar as they serve public or social purposes' (quoted in Aras and Crowther, 2009b, p. 2 and p. 179, and Aras and Crowther, 2010a, p. 281).

Therefore, especially because of the continuing financial and economic crisis, it is quite strange to continue to hear about charity, giving, donations, some more money to address the social and societal expectations converging on firms. What we need is something radically different if we want to build a deeply sustainable future. The focus must deal with the real role that every company can and must play in the society/community(ies) in which it operates.

So, the assumptions at the basis of the present thesis are as follows:

1) The current pattern of development is unsustainable. In the first chapter, crystal clear evidence will be provided to show the environmental, social, and economic unsustainability of the current situation.
2) Innovative managerial approaches and tools are needed to change the course. Instead of relying on the still prevailing competitive model, which is focused on short-term monetary results – and disregarding the dramatic impacts that financial myopia has on the entire world – a collaborative perspective, which could represent a viable, successful and sustainable alternative, is advanced. This paradigm calls for a redefinition of the nature and purposes of firms. In particular, I propose a multiple bottom line thinking, rooted in a relational/stakeholder view of the firm, which should lead to a reframing of the corporate success concept beyond a narrow financial approach (that is, the 'shareholder value' idea: Rappaport, 1986). For this reason new tools to manage and report corporate performance are required.

But what is the current situation? Are there winds of change? Or, to better explain the point,

- what is the state of the art with regard to the most important initiatives (that is, tools, standards, guidelines, and so on) aimed at supporting companies in managing social, environmental and sustainability performance?
- What are the current corporate approaches to sustainability evaluation and reporting?

In brief, are the current management tools and corporate efforts really able to support firms in addressing the increasing expectations, coming from the different constituencies (e.g., customers, employees, suppliers, local communities, and so on), for more responsible, sustainable, fair, and just corporate behavior?

So, in order to investigate that, chapter 2 offers a broad and in-depth review of the current initiatives in the corporate social, environmental and sustainability performance management field.

Then, in the third and fourth chapters an interpretive content analysis, according to a stakeholder framework, of the current practices with regard to corporate sustainability evaluation and reporting is presented. The investigation mainly explores the social/CSR/sustainability reports of sixteen leading companies from four crucial industries (i.e., four firms per each of the four industries: banks, retailing, telecommunications, and utilities). These firms are leading because of their industries, size, influence, and sustainability policies.

What will become apparent is that, for multiple reasons (essentially, complexity and the still prevailing focus on financial value for management tools; redundancy and incompleteness for corporate reports, and lack of innovation for both), both the most advanced methodologies and the corporate evaluation and reporting activities are not fully able to assess the sustainability, that is, the quality, of the corporate relationships with the different stakeholder groups. This means that they are unable to monitor and track the value created and distributed, in different forms, by the firms to the different constituencies.

Therefore, in order to fill the gap new solutions are needed, and to address this point, the SERS^2 methodology – characterized by an innovative, stakeholder-based scheme of integrated report – is described in chapter 5. The other elements of this sustainability evaluation and reporting system are the integrated information system and the key performance indicators for corporate sustainability. This approach also takes into account the specific information needs that every firm has and the role that micro, small, and medium-sized firms play in the socioeconomic system.

In chapter 6, the conclusions point out trustworthiness and limits of the analysis, strengths and main contributions of the study, and possible new research avenues opened by the investigation. Final and more general reflections, derived from the work carried out, are also included.

The sustainability challenge calls for a revolution, that is, a paradigm shift (Kuhn, 1962). I hope that the present work provides a useful contribution to a debate that cannot be postponed.

Chapter 1

Beyond the Mainstream: The Need for New Business Paradigms and New Ways of Measuring Corporate Success

1.1 Introduction

The financial and economic crisis that began in 2007 is only the most visible signal of the unsustainability of the current pattern of development at the global level.

According to Rockström *et al.* (2009a, 2009b), the pressures of human activity on the Earth System has reached an elevation where dramatic environmental changes can be expected. In particular, mankind has already transgressed three of the nine interconnected planetary boundaries identified by scientists. They are those regarding climate change[i], rate of biodiversity loss, and interference with the global nitrogen cycle.

The *Millennium Ecosystem Assessment* (2005) points out that over the previous fifty years, approximately 60% (15 out of 24) of the ecosystem services have been degraded or used unsustainably, including fresh water, capture fisheries, air quality regulation, water purification and waste treatment, soil erosion regulation, and the regulation of

[i] See, on this issue: Howard-Grenville *et al.* (2014); Intergovernmental Panel on Climate Change (IPCC) (2013).

regional and local climate, natural hazards, and pests. These services are fundamental for the well-being of current and future human generations and other living species.

According to the *Living Planet Report 2012* issued by WWF and the latest available data (up to 2008), humanity's Ecological Footprint, that is, our impact on the Earth, has doubled since 1966 and has been in overshoot since the 1970s (WWF, 2012). In more detail, the Footprint exceeds our planet's biocapacity, that is, the area really available to produce renewable resources and absorb CO_2, by more than 50% (WWF, 2012, p. 8). In parallel, the Living Planet Index shows a consistent loss of biodiversity at the global level: In fact, between 1970 and 2008 vertebrate species populations have declined by 28% (WWF, 2012, p. 18).

At the global level, the number of unemployed people is continuing to increase. Global unemployment is expected to reach 208 million in 2015, compared with around 200 million in 2013 (ILO, 2013, p. 1). Moreover, in most countries with available information, the number of discouraged workers, those who are not participating in the labor force but would rather be working, has grown (ILO, 2013, p. 8). Furthermore, in a majority of economies social unrest increased between 2011 and 2012 to levels higher than those of the pre-crisis period (ILO, 2013, p. 14).

Today, one in eight persons are still chronically undernourished (United Nations, 2013, p. 4).

Inequalities in wealth distribution are increasing: In 2013 just 393 million persons (8.4% of the world's adult population) owned 83.3% of the global wealth with just 32 million people (0.7% of the world's adult population) who controlled 41% of the total wealth. So, the wealth pyramid that describes global wealth distribution has a large base of low wealth holders, with the top occupied by progressively fewer people (Credit Suisse AG Research Institute, 2013, pp. 21-22)[ii].

The presented evidence points out that the world is facing a multiple (financial, economic, environmental, social) crisis derived from the currently unsustainable global pattern of development (Petrini and Olmi, 2013). After around thirty years of absolute dominance (Cassidy, 2009; Crouch, 2011; Friedman, 1970; Porter, 1979; Rappaport, 1986), the still prevailing mainstream business model, characterized by a narrow focus on monetary results, short-termism and a disruptive competitive approach that benefits only a few (especially financial investors and top managers) at the expense of many (including society as a whole, local communities, ecosystems and ecosystem services, and future generations) (Aras and Crowther, 2009b; Georgescu-Roegen, 2003; Gore, 2013; Harvey, 2011; Judt, 2010; Klein, 2014; Piketty, 2013; Tencati and Perrini, 2011; Sandel, 2009, 2012; Stiglitz, 2012) is strongly criticized and contested (Boltanski and Chiapello, 2011; Castells, 2012; Dardot and Laval, 2009; *The Economist*, 2011b; Hardt and Negri, 2012; Stout, 2012; *Time*, 2011).

What is happening also challenges academia, as alternative approaches are badly needed. With regard to that, in this first chapter, I am going to introduce the collaborative enterprise paradigm (Tencati and Zsolnai, 2009, 2010, 2012, 2014), which represents an alternative view to the mainstream theory of the firm and the related, unbearable business practices.

[ii] For further information on this topic, see also Credit Suisse AG Research Institute (2012).

First, based on the arguments developed by the late London Business School professor Sumantra Ghoshal and the Group of Lisbon, chaired by Riccardo Petrella, the one-dimensional pursuit of contemporary business, focused on competition and shareholder value maximization, is criticized.

Then, heeding the call for different, innovative, and sustainability-oriented approaches to management and doing business, the collaborative enterprise perspective is advanced, which is deeply rooted in a relational view of the firm (Freeman, 1984, 2010; Post *et al.*, 2002a, 2002b). According to this perspective, the goals of a firm are multidimensional and its final purpose is to provide stakeholders with fitting (social, cultural, economic, environmental, institutional, and so on) values[iii].

After that, further theoretical elements are presented to support the collaborative idea, and a new research agenda is introduced.

Within this agenda, the redefinition of corporate success and its measurement are crucial. This is the focus of the final part of the chapter and the link to the rest of the thesis.

[iii] With regard to the multiple definition of success for an organization, see Aras and Crowther (2009b, pp. 190-191).

1.2 Critiques of the Competitive Model

1.2.1 Sumantra Ghoshal's Approach

A world-renowned London Business School professor, the late *Sumantra Ghoshal*[iv], heavily criticized the current management ideology, including *competitive strategy* developed and fostered by Michael Porter (1979):

> 'If companies exist only because of market imperfections, then it stands to reason that they would prosper by making markets as imperfect as possible. This is precisely the foundation of Porter's theory of strategy that focuses on how companies can build market power, i.e., imperfections, by developing power over their customers and suppliers, by creating barriers to entry and substitution, and by managing the interactions with their competitors. It is market power that allows a company to appropriate value for itself and prevent others from doing so. The purpose of strategy is to enhance this value-appropriating power of a company…' (Ghoshal and Moran, 2005, p. 15).

Therefore, some diminishing components of social welfare are not just a coincidental byproduct of Porter-style competitive strategy. Within the current management framework there is no escape from the conflict between economic goals and their social and moral implications (Ghoshal and Moran, 2005, p. 15).

[iv] See Ghoshal and Moran (2005). See also Ghoshal (2005) and the Introduction of this thesis.

In his latest works Porter tries to address the emerging issue of corporate social responsibility (CSR) (Porter and Kramer, 2002, 2006, 2011), but Ghoshal's arguments are still well grounded. In Porter and Kramer's contributions social and environmental issues seem to be only add-on elements in the traditional framework. In fact, they are not related to a genuine moral commitment of the company or a deep change in the perspective of analysis and in the rules of the game. They are only considered additional instruments to achieve a better competitive performance: 'Not every company can build its entire value proposition around social issues…, but adding a social dimension to the value proposition offers a new frontier in competitive positioning' (Porter and Kramer, 2006, p. 91). And the idea of shared value (Porter and Kramer 2006, 2011) is nothing more than an attempt to reframe the well-established narrative of the 'win-win' strategies (Elkington, 1994; Porter and van der Linde, 1995a and 1995b) in an apparently brand new, trendy way (Crane *et al*., 2014; The Economist, 2011a). According to Porter and Kramer (2011, p. 76), creating shared value is integral to profit maximization, and the five forces model in its latest version (Porter, 2008) has not been changed because of this 'new' proposition.

Thus, the current competitive model, which still rules in spite of the crisis it caused, requires a structural correction to enable companies to develop really sustainable and responsible ways of doing business.

1.2.2 The Group of Lisbon's Approach

This is exactly the point addressed by the *Group of Lisbon*, chaired by *Riccardo Petrella*. Established in December 1991, the Group started to work in 1992 and in 1994 issued its breakthrough report, 'Limits to Competition', supported by the Gulbenkian Foundation in Lisbon. MIT Press then published the report in October 1995. The Group was composed of nineteen distinguished persons from business, academies, governments/public institutions, and nongovernmental organizations (NGOs) in Europe, North America, and Japan (The Group of Lisbon, 1994).

The report develops a strong, well documented, and clear criticism of the competition ideology dominant in the post-Cold War world. In the 1990s competition became the main goal, not only of companies but also of regions, nations, municipalities, public institutions, and so on.

According to the report, the word *compete* originally meant 'to seek together' (from the Latin *cum petere*), but, as a cause/effect of the globalization processes, it has currently taken on controversial dimensions. Nevertheless, competition is a successful mantra, the implementation of which results in broadly negative impacts and a value per se: Its pursuit justifies every political choice, even if it implies stronger and stronger cuts in the employment rates, social welfare, and expenditures for the protection of the environment. This new credo undermines the bases of social cohesion in both the most developed and the developing countries.

Furthermore, competition cannot tackle the challenges generated by the unleashed globalization enabled by privatization, deregulation, and liberalization (see also, on this topic, Coote, 2012):

- the growing poverty and socioeconomic inequalities;
- the delinking process between the richest and the poorest;
- the rise of an international criminal economy;
- the declining role of the state as a founding political institution and the absence of a real and effective political democracy at the global level;
- the increasing pressure on and the misuse/overexploitation and pollution of global environmental commons such as water, air and land;
- the depletion of biodiversity and natural resources;
- the loss of human values, such as justice, dignity, solidarity and respect, in our societies.

Competition could be a very useful tool if it supported and fostered broad and shared innovation and emulation processes. But when the only purpose of our socioeconomic systems is to engage in a Darwinian 'struggle for life' on a global scale, it results in a disruptive and meaningless global war among companies that also affects the overall well-being of regions, nations, and cities.

Therefore, the rush to hegemony does not work and competition is not the answer to our needs for a sustainable pattern of development. Instead of a financial globalization carried on by firms and economic interests focused on short-term gains, a *cooperative approach* is needed to provide a new, effective, and efficient way of global governance.

This new world order should be based on four social contracts, which are in the general interest of the largest number of people and nations, and especially of the poorest human beings. In more detail, these *contracts for change* promote a common effort aimed at fulfilling the basic needs and expectations of the eight billion people who will live on Earth by the year 2020. The objectives of these global social contracts are as follows:

i. Removing the inequalities by providing 2 billion people with water, 1.5 billion people with a home, and 4 billion people with efficient energy.
ii. Ensuring tolerance and dialogue among the different cultures.
iii. Starting a process towards a real world government by establishing a World Assembly of Citizens.
iv. Fostering and speeding up the implementation of Agenda 21, in particular by promoting private-public partnerships, especially at the local level.

The main drivers of these global contracts should be the world civil society, encompassing NGOs, unions, associations, and so on; the enlightened elites, comprising leaders from business, academia, governments, politics, media, and foundations; the local communities that are more and more embedded in the global networks.

However, it is the first duty of the member countries of the Triad (Europe, North America and Japan) to redirect their scientific and technological knowledge and their efforts and use their financial resources to reconcile and integrate economic efficiency, social justice, environmental sustainability, cultural diversity and political democracy, instead of using them for their own interests and for their struggle for world supremacy.

Thus, a collaborative approach, which goes far beyond competition, is needed for a sustainable and humane course of development, in which the citizen is at the center of decision-making processes, even and especially within firms.

Some initiatives, such as the Global Water Contract and the Water Manifesto signed in Lisbon in 1998 (Petrella and Lembo, 2006) and the Millennium Development Goals adopted by the General Assembly of the United Nations in 2000, which were renewed in 2005 (United Nations Department of Economic and Social Affairs, 2006), made the great impact that the report 'Limits to Competition' had on the international debate evident. In particular, the report had a great influence on the UN system and also on the world civil society through the World and Local Social Forums.

1.3 An Alternative Paradigm: The Collaborative Enterprise

Alternative practices are possible, feasible, and successful (see for example Cohen and Warwick, 2006; Tencati and Zsolnai, 2010; Elkington, 2012): Several enterprises all over the world are characterized by more democratic ownership structures, more balanced and broader governance systems, and a more comprehensive view of organizational goals and performance, which goes beyond the narrow concept of financial bottom line and into a stronger and systematic care of the needs and requirements of the different stakeholder groups. In other words, an open and collaborative attitude in business is possible beyond the traditional paradigm of competition.

So, the corporate governance issue (Bowie, 2006; Ghoshal, 2005; Kay and Silberston, 1995; Letza *et al.*, 2004, pp. 255-258; Mills and Weinstein, 2000) should be reconsidered. The prevailing approach based on the agency theory (Aras and Crowther, 2009b, pp. 106-110; Garriga and Melé, 2004, pp. 53-54; Jensen and Meckling, 1976; Ross, 1973) and focused on maximizing shareholder value (Fernández, 2002; Friedman, 1970; Rappaport, 1986, 1998) has resulted in evident aberrations (Ghoshal, 2005, p. 81; Stiglitz, 2003). Notwithstanding these results, the agency theory still rules and influences the regulatory interventions aimed at reforming corporate governance prescriptions. But, as John Kay emphasizes,

> ‘Business organizations are not purely instrumental, their business objectives ancillary to an underlying financial purpose. And to treat them as such not only undermines the legitimacy of capitalism as a system but reduces the effectiveness of the corporations themselves’ (Kay, 2004, p. 184).

With regard to this issue, Clarkson points out that the pursuit of the single ‘shareholder value’ measure is self-defeating (Clarkson, 1995, p. 112), and Ghoshal highlights that ‘companies survive and prosper when they simultaneously pay attention to the interests of customers, employees, shareholders, and perhaps even the communities in which they operate’ (Ghoshal, 2005, p. 81).

Therefore, new, more inclusive and far-ranging models of corporate governance are especially needed because shareholders are not the exclusive owners of the company (Donaldson and Preston, 1995) and the entire set of risks and liabilities are also shared by other stakeholder groups such as employees, suppliers, customers, financial backers, public authorities, local/national communities, future generations, and the environment (Letza *et al.*, 2004, p. 256; Zsolnai, 2006).

Effective activities of dialogue, interaction, and collaboration with stakeholders are not a dangerous waste of time, but enable a company to

- reach a general consensus among stakeholders with regard to the decisions finally adopted by the firm, reinforcing the business's 'license to operate' (Russo and Tencati, 2009);
- build, strengthen and consolidate sustainable relationships with stakeholders, that is, the social capital (Russo and Perrini, 2010);
- lower transaction costs (Perrini *et al.*, 2011);
- generate a durable competitive advantage through reputation- and trust-based linkages (Castaldo *et al.*, 2009);
- design, produce, and deliver more value-added, environmentally friendly and socially cohesive outcomes (Brugmann and Prahalad, 2007; Post *et al.*, 2002a, 2002b; Tencati and Pogutz, 2012).

Thus, the strength and sustainability[v] of enterprises come from their ability to fit within the environmental, social, and cultural context in which they operate (Cohen and

[v] Sustainability is '[t]he capability of an organization (or society) to continue its activities indefinitely, having taken due account of their impact on natural, social and human capitals' (AccountAbility, 1999, p. 157). This definition of sustainability is in line with the concept of *durability* – or *durable sustainability* – coined by Aras and Crowther (2009b, pp. 251-252). In the durability perspective, efficiency is concerned with the best use of scarce, environmental resources; efficiency is also concerned with optimizing the use

Warwick, 2006; Hart, 1997; Hollender and Breen, 2010). By developing mutually beneficial relationships with stakeholders, enterprises can garner deep support from them based on their level of commitment (Choi and Wang, 2009; Crane *et al*., 2014; Donaldson and Preston, 2005; Freeman, 1984). This may lead to superior performance from a multiple bottom line perspective (Perrini and Tencati, 2006; Tencati and Zsolnai, 2009).

Collaborative enterprises value and develop relationships with their stakeholders and try to generate long-lasting 'win-win' solutions (Elkington, 1994, 1997, 2004). Within this perspective, the entire set of stakeholder relationships becomes strategic (Lenssen *et al*., 2007): The collaborative enterprise can develop over time because of its capacity for building and maintaining sustainable and durable relationships with the members of its stakeholder network (Lozano, 2005). Then, the sustainability of the company depends on the sustainability of its stakeholder relationships (Tencati and Perrini, 2006).

This *extended relational view of the firm* goes beyond the traditional approach that involves value-chain partners and, on specific tasks, competitors (Dyer and Singh, 1998; Post *et al*., 2002a, 2002b). It encompasses not only relationships with firms but also with other stakeholder groups (e.g., governments and civil society).

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of these scarce resources rather than with cost reduction; value is added through technology and innovation rather than through expropriation, and outputs are redefined to include distributional effects to all stakeholders.

In reference to this topic, R. Edward Freeman points out that '[b]y placing "stakeholder" in the center of strategic thinking, the unit of analysis is changed to a more relational view of business' (Freeman, 2010, p. iii). And he adds the following:

> 'Yet, we still need a new story about business. The recent global financial crisis has made this plain. I believe that the central characters in that story must be companies and their customers, employees, suppliers, communities, and financiers. Other groups such as NGOs, governments, unions, etc. may also be important to particular businesses. The idea that one of these groups (financiers, for instance) always has priority over the others, simply misses the main contribution of business and capitalism. Business works because the interests of all of these stakeholders can be satisfied over time. It is the intersection of these interests which is central to effective and sustainable stakeholder management' (Freeman, 2010, p. iii).

Thus, we have to recognize that the quality of stakeholder relationships is crucial for the long-term development of a firm (Benn and Bolton, 2011, p. 65). The capacity of an enterprise to generate and distribute sustainable values over time is linked to strong and synergetic relationships with its stakeholders: a collaborative and sustainability-oriented enterprise looks beyond mere financial performance and develops a multiple bottom line approach by addressing the linkages with its different constituencies[vi].

[vi] See section 1.6.

To summarize, in the mainstream way of doing business, enterprises propagate a *negativistic view of human nature*, where agents are always self-interested and want to maximize their own profit or utility without caring about others, ecosystems, or future generations (Zsolnai, 2009). Their interactions are based on competition only and their criterion of success is growth measured in money terms. Mainstream business organizations generate vicious circles in which agents expect the worst from others and act accordingly (Ghoshal, 2005; Ghoshal and Moran, 2005).

Alternatively, collaborative enterprises display genuine care about others and themselves and aim to create values (social, cultural, economic, environmental, institutional, and so on) for all the participants in their ecosystems. Their criterion of success is mutually satisfying relationships with the stakeholders, and their performance is assessed according to a multiple bottom line perspective.

In table 1.1 the contrasting characteristics of the mainstream and collaborative enterprises are summarized.

1.4 Elements for a New Theory of the Firm

The skeptics may think that the collaborative premises of the new view of the firm presented in this chapter are misleading. Recent contributions and discoveries in economics, behavioral and social sciences, and biology suggest that this is not the case.

Table 1.1 Mainstream enterprises versus collaborative enterprises

	Mainstream Enterprises	**Collaborative Enterprises**
Basic motive	Self-interest	Care about others and themselves
Main goal	Maximizing profit or shareholder value	Creating values for all the participants in the network
Criterion of success	Growth in money terms	Mutually beneficial relationships with the stakeholders

Source: Tencati and Zsolnai (2012)

1.4.1 The Benefits of Collaboration

The world famous economist Robert Frank challenges the central view of the current prevailing economic models that competitive pressure makes it naïve to expect that people (and organizations) restrain themselves for the common good (Frank, 2004). Economic theory suggests that human agents are willing to make sacrifices for the common good only if society penalizes them for doing otherwise. Based on both empirical and theoretical results, Frank shows the emergence of prosocial behavior independent of external rewards and sanctions.

One of the main arguments Frank develops is that people who are intrinsically motivated to adhere to ethical norms often prosper in competitive environments. It is a paradoxical phenomenon that people can often promote their own narrow ends more effectively by abandoning the direct pursuit of self-interest (Frank, 2004; Grant, 2013a, 2013b; Kay, 2010).

According to Frank there is a closer link between rationality and morality than many economists presume. A rational individual will often fail to achieve his or her material ends if the moral emotions are missing from his or her character. An interesting corollary is that the ultimate victims of opportunistic behavior are often those people who practice it.

Frank also shows that socially responsible firms can survive in competitive environments because social responsibility can bring substantial benefits for firms. So it might be good business to sacrifice in the name of ethical concerns.

Frank introduces five distinct types of cases where socially responsible organizations are rewarded for the higher cost of caring (Frank, 2004, p. 67):

- Opportunistic behavior can be avoided between owners and managers.
- Moral satisfaction induces employees to work more for lower salaries.
- High quality new employees can be recruited.
- Customers’ loyalty can be gained.
- The trust of subcontractors can be established.

Caring organizations are rewarded for the higher costs of their socially responsible behavior by their ability to form commitments among owners, managers, and employees and to establish trust relationships with customers and subcontractors.

1.4.2 Positive Psychology and the Emergence of the Homo Reciprocans

A relatively new branch of psychology called *positive psychology*, initiated by Martin Seligman and Mihaly Csikszentmihalyi, studies the strengths and virtues that allow individuals, communities, and societies to flourish (Positive Psychology Center, 2007; Seligman, 2011; Seligman and Csikszentmihalyi, 2000).

Positive psychology focuses on three different routes to happiness (Seligman, 2002; Seligman *et al*., 2005):

Positive emotion and pleasure (the pleasant life). This is a hedonic approach, which deals with increasing positive emotions as part of normal and healthy life.

Engagement (the engaged life). This constituent of happiness is not merely hedonic but regards the pursuit of gratification (Seligman *et al*., 2004). In order to achieve this goal, a person should involve himself/herself fully by drawing upon 'character strengths such as creativity, social intelligence, sense of humour, perseverance, and an appreciation of beauty and excellence' (Seligman *et al*., 2004, p. 1380).

Meaning (the meaningful life). This calls for a deeper involvement of an individual, using the character strengths to belong to and serve something larger and more permanent than the self: 'something such as knowledge, goodness, family, community, politics, justice or a higher spiritual power' (Seligman *et al*., 2004, p. 1380).

What we need in business and economics is a commitment to helping individuals and organizations to flourish by the use of their strengths to increase and sustain the well-being of others and themselves.

From this point of view, one of the most important recent developments in the behavioral and social sciences is the emergence of the so-called *Homo reciprocans* model, which presents a major alternative to the *Homo oeconomicus* model. The Homo oeconomicus model suggests that agents are exclusively self-interested and always maximize their utility functions. Overwhelming empirical evidence shows that this is a rather unrealistic description of human behavior (Frank 2004, 2011; Kahneman, 2011). The model has also been criticized on various normative grounds (Zsolnai, 2002).

The emerging model of Homo reciprocans can be summarized as follows:

> ‘[A] majority of individuals approach strategic interactions involving coordination problems with a propensity to cooperate, they respond to the cooperation of others by maintaining or increasing their level of cooperation, and they respond to defection on the part of others by retaliating against the offenders, even at a cost to themselves, and even when they cannot reasonably expect future personal gains from such retaliation’ (Bowles *et al*., 1997, p. 4).

This approach is consistent with many empirical observations: ‘people do produce public goods, they do observe normative restraints on the pursuit of self-interest (even when there is nobody watching), and they will put themselves to a lot of trouble to hurt rulebreakers’ (Shalizi, 1999).

1.4.3 Insights from Evolutionary Biology

The crucial importance of the attitude to collaboration is also confirmed by the latest developments in evolutionary biology.

One of the most challenging issues in evolutionary biology is the 'paradox of collateral altruistic behaviour' (Wilson, 2005, p. 159; see also Hölldobler and Wilson, 2009), 'that is, when some individuals subordinate their own interests and those of their immediate offspring in order to serve the interests of a larger group beyond offspring'. From observing the social behavior of ants and wasps, it is clearly evident that colonies with altruistic workers 'are favored by their superior ability to create and defend nest sites that are stable over extended periods of time, allowing them refuges from which to forage for food…. [T]he critical binding force of colony evolution appears to be ecological natural selection operating at the level of the colony, a level that comprises both colonies versus individuals, and colonies versus other colonies' (Wilson, 2005, p. 163).

Therefore, not only competition but also collaboration seems to be a crucial force in evolutionary dynamics because of the selection forces operating at the level of genes, cells, organisms, and groups. That has important implications for humans too. In a recent article, Desmond Morris underlines, 'In our early evolution, one trait we developed was to survive through co-operation. That quality is built into our genes and can be strengthened genetically as time passes' (Morris, 2012).

1.4.4 Commons and Collaboration: Beyond Market and Hierarchy

A good example of the collaborative attitude is provided by the traditional governance practices in the common-pool resources field.

Usually, in order to address the 'tragedy of the commons' (Hardin, 1968) the options proposed by mainstream economics have been privatization or state management with, in the recent decades, a prevailing preference for the market rules.

However, through the extensive and innovative work carried out by the late Elinor Ostrom, awarded the Nobel Prize in Economic Sciences in 2009, there is abundant evidence from all over the world that an effective management of the commons can be assured by a polycentric approach rooted in community-based collaborative governance efforts (Nagendra and Ostrom, 2012; see also Ostrom, 1990). The robust, self-organized and self-governed initiatives demonstrate that collaboration works as a viable, feasible, and desirable alternative to foster really sustainable patterns of production and consumption.

1.5 Implications for a New Research Agenda

The reflections presented in this chapter are an initial contribution to a possible research path aimed at reframing the current and prevailing assumptions in economics and business practices. The pivotal idea is that we need to go beyond a disruptive and, after all, self-defeating concept of competition to make collaboration, responsibility, sustainability and a more comprehensive view of the business role and purposes the pillars of an alternative view of management.

In more detail, the collaborative model opens new research avenues at different levels:

- Individual (individual level).
- Firm (micro level).
- Districts, clusters, industries, and sectors (meso level).
- The economy as a whole (macro level).

1.5.1 Individual Level

The emerging paradigm represented by the Homo reciprocans is a major challenge to the mainstream competitive model. We need further studies and empirical support to revise and replace the current behavioral bases of economics. A new positive vision of the human being as a relational and prosocial individual is strongly needed. Psychology, anthropology and biology (see, for example: Adami and Hintze, 2013; Tomasello, 2009), neuroeconomics (Camerer *et al*., 2005) could provide important contributions to deeply revise the currently dominating negativistic view of the human being (Ghoshal, 2005).

1.5.2 Micro Level

The firm is the main focus and the starting point of the collaborative enterprise agenda. The current structural crisis and the related sustainability challenges call for innovative business and managerial models. And, as many examples show all around the world (Tencati and Zsolnai, 2009, 2010, 2012), alternative practices are successful. Creating values for the different constituencies by means of innovation, broad stakeholder engagement and partnerships, and more balanced and democratic mechanisms of governance is the characteristic of the most advanced enterprises. These dispositions also make them more resilient and long-lasting.

Therefore, with regard to the research needs, it is important to study the enabling conditions in terms of institutions, culture, values, managerial approaches, and so on (Campbell, 2007) that allow collaborative enterprises to flourish. Furthermore, investigations on small and medium-sized companies could provide interesting and widespread examples of progressive, locally based and community-rooted practices (Spence, 2007).

Finally, because a broader, multidimensional definition of success is an essential part of the collaborative paradigm, firms need new and appropriate corporate-performance management tools capable of going beyond a narrow and exclusive focus on the financial bottom line. Unfortunately, some of the most advanced methodologies in the sustainability field (Figge *et al*., 2002), that is, the balanced scorecard in its different forms[vii] and the Global Reporting Initiative (GRI) Sustainability Reporting

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[vii] See chapter 2, paragraph 2.4.2.

Guidelines[viii], are not designed to take into account in an explicit, clear and complete way the different relationships that companies develop with their stakeholders.

In particular, the balanced scorecard is always driven by a prevailing attention to the financial performance, where the performance achieved in other areas is simply considered instrumental to that (Schaltegger and Wagner, 2006). With reference to the triple bottom line (TBL) agenda, of which GRI is the most recognized representative – even if its introduction and implementation have been crucial to raising the attention to and increasing the global awareness of the sustainability concept – it has evident limits (Aras and Crowther, 2009b, pp. 237-254). In more detail, Aras and Crowther (2009b, p. 237) state the following:

> ‘There have been various descendents of Brundtland, including the concept of triple bottom line. This in turn has led to an assumption that addressing the three aspects of economic, social and environmental is the epitome of corporate social responsibility… It is our argument… that this notion is not just incorrect but also positively misleading…’.

According to John Elkington, who invented the TBL concept (Elkington, 1994, 1997), ‘the TBL agenda as most people would currently understand it is only the beginning. A much more comprehensive approach will be needed that involves a wide range of stakeholders…’ (Elkington, 2004, p. 16). And GRI (Global Reporting Initiative, 2002, p. 9) adds that ‘like any simplification of a complex challenge, this

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[viii] See chapter 2, paragraph 2.4.1.

definition has its limitations… Defining sustainability in terms of three separate elements (economic, environmental, and social) can sometimes lead to thinking about each element in isolation rather than in an integrated manner'.

Thus, the collaborative perspective, grounded in a relational/stakeholder view of the firm, goes beyond 'previous work on the "triple bottom line" and "balanced scorecard"' (Post et al., 2002a, p. 25). Broader and more inclusive methodologies are required to control and manage the overall performance of a firm, that is, its value(s) creation processes[ix].

1.5.3 Meso Level

The collaborative model considers the firm as part of a broader ecosystem, that is, a stakeholder network of which the firm is one of the components. Therefore, the study of these aggregations, especially at the community level, becomes critical and calls for renewed attention.

In particular, industrial districts (Becattini, 1990, 2004) and clusters (Porter, 1998a; Sölvell, 2009) are based on the symbiosis between the economic dimension and the social one. In these forms of organization the economic activities foster the local development (Becattini *et al.*, 2003) and, in parallel, the social capital (Bourdieu, 1986; de Blasio and Sestito, 2011; Putnam, 1993, 2000). Social capital, which connects local communities and nested firms, is one of the most important drivers to explain the long-

[ix] See, on this topic, table 1.1.

term success of the involved enterprises (Porter, 1998b; Russo and Perrini, 2010). Furthermore, broader networks emerge at the industry and sector level to address sustainability and competitive issues (Bower *et al*., 2011; Tencati and Pogutz, 2012).

Therefore, organized networks (Rossiter, 2006) are a very important unit of analysis with which to investigate and understand the current and future dynamics at the social and market level. With regard to this point, according to Ronfeldt, after tribes, hierarchical institutions, and markets, collaborative networks are the emerging form of organization affecting the current stage of social evolution. ‘Enabled by the digital information-technology revolution, this form is only now coming into its own, so far strengthening civil society more than other realms’ (Ronfeldt, 2009).

1.5.4 Macro Level

As previously underlined, the current pattern of global development is economically, socially, and ecologically unbearable. This calls for more far-reaching, participatory models of governance to address the sustainability challenge (Crane, 2010), and for the construction of decentralized community-based initiatives connected in global networks, which could constitute feasible and fitting alternatives to the global mainstream.

With regard to this issue, it is important to point out the institutionalization of global action networks such as Global Compact, Global Water Partnership, Forest Stewardship Council, Marine Stewardship Council, Global Reporting Initiative, Microcredit Summit

Campaign, International Federation of Organic Agriculture Movements, Fair Labor Association, and Slow Food with Terra Madre, which operate in both environmental and social realms (Glasbergen, 2010; Tencati and Zsolnai, 2012; Waddell, 2011). They can be described as ‘civil society initiated multi-stakeholder arrangements that aim to fulfill a leadership role for systemic change in global governance for sustainable development’ (Glasbergen, 2010, p. 130). In these innovative forms of cross-sector partnership, collaborative efforts are carried on jointly by governments/public institutions, firms, and civil society organizations (CSOs). Therefore, the collaborative model is gaining ground in the political arena with solutions endeavoring to overcome the conventional public-private partnerships.

Furthermore, the collaborative networks enable local communities to become innovative players on the global scene. Thus, it is crucial to study the emergence of new patterns of governance where coalitions of global players and global alliances of local actors interact to address disequilibria in economic, social and ecological conditions. A deeper analysis of collaborative models of governance is also needed to manage the paths of development at local, national and regional levels (Albareda *et al*., 2008).

1.6 The Collaborative Enterprise and Its Implications for Corporate Performance Evaluation and Reporting: Introducing the Research Questions

The previous reflections upon a new research agenda related to the collaborative enterprise perspective are crucial for the purposes of this thesis.

In fact, the focus especially on the micro and meso levels (that is, on the company and its immediate stakeholder network) calls for a deep redefinition of the intertwined concepts of corporate success and corporate performance evaluation and reporting.

According to a relational/stakeholder view of the firm (Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984; Post *et al*., 2002a, 2002b), which is at the core of the collaborative enterprise paradigm, a company can last over time if it is able to build and maintain sustainable and durable relationships with all members of its stakeholder network. 'These relationships are the essential assets that managers must manage, and they are the ultimate sources of organizational wealth' (Post *et al*., 2002a, p.8)[x].

Adopting this view means rethinking the nature and purposes of firms and the management tools adopted by companies themselves. More specifically, the success of managerial efforts cannot be measured according to a shareholder perspective, but rather by adopting a more holistic and comprehensive stakeholder framework. Firms need to map and monitor their entire set of stakeholder relationships according to what has been called a *multiple bottom line* approach (Perrini and Tencati, 2006). This means that they also need appropriate systems to measure and control their own behavior in order to assess whether they are responding to stakeholder concerns in an effective way and in order to communicate and demonstrate the results achieved. These evaluation and reporting systems should have the purpose of broadening, integrating and improving the traditional financial/economic approaches to the corporate performance measurement, taking stakeholder needs and requirements into due account.

[x] See section 1.3.

Over more than forty years many proposals were advanced to complement, integrate, and overcome the traditional methodologies, focusing on the financial dimension of corporate performance (Tencati, 2010). In parallel, thousands of companies, and especially the listed ones, introduced, developed, and implemented different practices of non-financial reporting (Hopwood *et al*., 2010).

So, what is the state of the art with regard to the most important initiatives (that is, tools, standards, guidelines, and so on) aimed at supporting companies in managing social, environmental and sustainability performance?

And, what are the current corporate approaches to sustainability evaluation and reporting?

The next chapter addresses the first question by providing a comprehensive map of the most important proposals and solutions in the corporate performance management and reporting field.

The third and fourth chapters try to answer the second question by presenting the analysis of the social/CSR/sustainability reports of a sample of sixteen purposefully selected companies.

The aim of these investigations is to understand whether the current methodologies and praxes are able to capture and assess the different relationships that companies develop with their stakeholders in an explicit, clear and complete way.

On the basis of the findings achieved, the fifth chapter of the thesis advances a set of proposals to improve management tools and practices in the corporate sustainability evaluation and reporting field.

Chapter 2

Social, Environmental and Sustainability Performance Management: A Comprehensive Review of the Most Important Initiatives

2.1 Management of Corporate Social, Environmental and Sustainability Performance

Many tools, guidelines, and initiatives have been developed over the last decades to support firms in their efforts towards improved environmental, social and sustainability performance.

It is possible to use a framework that classifies these solutions into three broad groups (see on this topic: Tencati, 2013; Tencati *et al.*, 2009a; Tencati *et al.*, 2009b; Waddock, 2008; World Business Council for Sustainable Development and The World Conservation Union, 2007):

accounting and reporting/accountability tools: methodologies and initiatives to measure, assess, control and report corporate performance in a more comprehensive way to better support corporate decision-making and meet stakeholder information needs (see table 2.1);

market-based instruments: instruments aimed at using the market to orient producers and consumers mainly through the "polluter pays principle" (see table 2.2);

certification schemes: measures that foster proactive companies and support consumers and investors in making informed decisions (see table 2.3).

Table 2.1 Some examples of accounting and reporting/accountability tools

Tools	Brief description	Web site(s)
Corporate Social Report	This mainly voluntary tool measures the impact of the company and its activities on the different stakeholder groups. Therefore, it is a methodology capable of supporting the management decision-making process and the corporate communication/engagement policies. The first attempts in this field were carried out between the late '60s and early '70s in the United States first and then in Europe. Different approaches to social and ethical accounting, auditing and reporting, and accountability have been developed over time (Perrini *et al.*, 2006).	– http://www.corporateregister.com/

AccountAbility 1000 Series (AA1000S)	In order to define a common set of principles to ensure the quality of the social and ethical accounting, auditing and reporting process, in 1999 AccountAbility issued the AccountAbility 1000 (AA1000) Framework. In 2002 AccountAbility launched the new AA1000 Series, consisting of the AA1000 Framework and a set of specialized modules. On 24 October 2008, the AA1000 AccountAbility Principles Standard 2008 (AA1000APS 2008) and the AA1000 Assurance Standard 2008 (AA1000AS 2008) were issued. In 2011 the second edition of the AA1000 Stakeholder Engagement Standard was published (AA1000SES 2011).	– http://www.accountability.org/standards/index.html
Corporate Environmental Report	A mainly voluntary tool a company uses to manage and	– http://www.corporateregister.com/ – http://www.ceres.org/page.aspx?

	control the environmental impact (in terms of consumptions and emissions) of its own activities, products and services, and to support communication with stakeholders. The most advanced environmental reporting methodologies combine an accounting system that collects physical data with the measurement of (internal) costs and benefits related to the environmental management of processes and products. Guidelines for environmental reporting were developed by many organizations, such as the following: CERES-Coalition for Environmentally Responsible Economies; Environment Australia; FEEM-Fondazione Eni Enrico Mattei; GEMI-Global Environmental Management Initiative; IÖW-Institut für Ökologische	pid=705 – http://www.enviroreporting.com/others/Australian%20PER%20Guidelines.pdf – http://www.enviroreporting.com/others/feem.htm – http://www.gemi.org/GEMIPublications.aspx – http://www.ioew.de/english/index2.html – http://www.wbcsd.org/home.aspx

	Wirtschaftsforschung; WBCSD-World Business Council for Sustainable Development.	
ISO 14031:2013	Guidelines on environmental performance evaluation.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
ISO/TS 14033:2012	Guidelines and examples on quantitative environmental information.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
ISO 14040:2006 ISO 14044:2006	International standards identifying principles, framework, requirements and guidelines for the different phases of the life cycle assessment (LCA). They include these: definition of the goal and scope of the LCA, the life cycle inventory analysis (LCI) phase, the life cycle impact assessment (LCIA) phase, the life cycle interpretation phase, reporting and critical review of the LCA.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true

ISO 14045:2012	Principles, requirements and guidelines for the eco-efficiency assessment of product systems.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
ISO 14046:2014	Principles, requirements and guidelines for the water footprint assessment of products, processes and organizations based on the LCA.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
ISO 14051:2011	This standard provides a general framework for material flow cost accounting (MFCA).	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
ISO 14063:2006	This international standard gives guidance on general principles, policy, strategy, and activities related to both internal and external environmental communication.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
ISO 14064-1:2006 ISO 14064-2:2006 ISO 14064-3:2006	International standards for quantification, monitoring, reporting, validation and verification of greenhouse gas emissions, reductions,	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true

	removals.	
ISO/TS 14067:2013	This Technical Specification (TS) defines principles, requirements and guidelines for the quantification and communication of the carbon footprint of a product (CFP). It is based on the LCA international standards (ISO 14040 and ISO 14044) for quantification and on the environmental labels and declarations standards (ISO 14020 – General Principles; ISO 14024 – Type I Environmental Labelling; and, ISO 14025 – Type III Environmental Declarations) for communication.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
Greenhouse Gas Protocol	The Greenhouse Gas Protocol (GHG Protocol) is a partnership, launched in 1998, between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). By working with	– http://www.ghgprotocol.org/

	enterprises, civil society organizations (CSOs), and governments it has developed and established internationally recognized greenhouse gas accounting and reporting standards and tools. More specifically, the GHG Protocol is composed of four different interlinked standards (that is, Corporate Accounting and Reporting Standards – Corporate Standard; Project Accounting Protocol and Guidelines; Corporate Value Chain (Scope 3) Accounting and Reporting Standard; and Product Life Cycle Accounting and Reporting Standard) and several related calculation methodologies.	
Carbon Disclosure Project	The Carbon Disclosure Project (now CDP) is an independent not-for-profit organization that facilitates the dialogue between investors and corporations on	– https://www.cdp.net/en-US/Pages/HomePage.aspx

	climate change, water and forest management and their impact on corporate policies, risk profile, value creation processes. Through its state-of-the-art reporting tools CDP works also with cities and national governments to drive the change towards a low-carbon sustainable economy.	
Climate Disclosure Standards Board	The Climate Disclosure Standards Board (CDSB) is a consortium of eight business and environmental organizations (including also CDP), launched in January 2007, which fosters its Climate Change Reporting Framework. This international, voluntary reporting framework supports companies in disclosing information about the impact of climate change on their risk profiles and about their greenhouse gas (GHG) emissions in order to provide investors with reliable and	– http://www.cdsb.net/

	valuable data and insights. Therefore, this effort tries to establish a link between non-financial reporting and mainstream financial reporting.	
Equator Principles	A banking industry framework for addressing environmental and social risks in project financing.	– http://www.equator-principles.com/
Principles for Responsible Investment (PRI)	UN-coordinated framework to help mainstream investors integrate environmental, social, and governance (ESG) issues in investment decisions.	– http://www.unpri.org/about/
Earth Charter	The Earth Charter is a world-recognized statement on ethics, values, and principles for a sustainable way of life. Developed over a period of ten years with input from more than 5,000 people, the Earth Charter was formally launched in 2000. This global civil society effort has been	– http://www.earthcharter.org/ – http://www.earthcharterinaction.org/

	formally endorsed by over 5,500 organizations, including enterprises and global institutions such as UNESCO and the International Union for Conservation of Nature (IUCN).	
United Nations Global Compact	The UN Global Compact is a voluntary initiative open to the participation of companies and to the involvement of labor, human rights, environmental, development, and academic organizations. It encompasses ten principles in the areas of human rights, labor, environment and anti-corruption, drawn from the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and The United Nations Convention against Corruption. The UN Global	– http://www.unglobalcompact.org/index.html

	Compact has two objectives: – mainstreaming the ten principles in business activities around the world; – fostering actions in support of broader UN goals, including the Millennium Development Goals.	
Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework	On 16 June 2011, the United Nations Human Rights Council endorsed the 'Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework' advanced by the special representative of the United Nations secretary-general on the issue of human rights and transnational corporations and other business enterprises, John Ruggie. On 7 April 2008, the 'Ruggie Framework' was presented. It	– http://www.business-humanrights.org/SpecialRepPortal/Home

	is based on three pillars: – the State duty to protect human rights and fundamental freedoms; – the corporate responsibility to respect human rights; – the need for appropriate and effective remedies when rights and obligations are breached. The 'Ruggie Principles' are conceived as the means to enforce the Framework. They also comprise the need for accounting and reporting for those firms whose activities could have adverse impacts on human rights, in order to track and communicate the effectiveness of their responses.	
OECD Guidelines for Multinational Enterprises	The OECD Guidelines for Multinational Enterprises are a comprehensive set of government-backed recommendations on	– http://mneguidelines.oecd.org/

	responsible business conduct. The governments adopting the Guidelines aim at supporting and fostering the positive impact multinational enterprises can have on sustainable development and durable social progress.	
ISO 26000:2010	The ISO 26000 process, initiated in March 2005 at the first World Meeting in Salvador (Bahia, Brazil), was completed in 2010. The international standard was issued on 1 November 2010, and provides Guidance on Social Responsibility to support not only companies but all organizations (including public authorities and NGOs) that address and manage social issues. ISO 26000 is not a management system standard and is not intended for third-party certification. Accountability, transparency,	– http://www.iso.org/sr

	and stakeholder engagement are among the cross-cutting and characterizing principles/practices of the document.	
GRI Sustainability Reporting Guidelines	The Global Reporting Initiative (GRI) is an international, long-term, multistakeholder project designed to develop, promote and disseminate a set of Sustainability Reporting Guidelines as a common framework for voluntary reporting of the economic, environmental and social performance of an organization, that is, of its activities, products and services. The fourth generation of the Sustainability Reporting Guidelines (*G4 Guidelines*) was launched on 22 May , 2013 in Amsterdam. This further evolution of the Guidelines also takes into account the emerging	– https://www.globalreporting.org/Pages/default.aspx – http://database.globalreporting.org/ – http://www.theiirc.org/

	'Integrated Reporting' paradigm (Eccles and Krzus, 2010; International Integrated Reporting Council, 2013a, 2013b).	
Integrated Reporting	According to the International Integrated Reporting Committee (IIRC), currently known as the International Integrated Reporting Council, 'Integrated Reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value. An Integrated Report should be an organization's primary reporting vehicle'	– http://www.theiirc.org/

	(International Integrated Reporting Committee, 2011, p. 2).	
Sustainability Evaluation and Reporting System (SERS)	This sustainability accounting and reporting methodology, developed within the Bocconi Center for Research on Sustainability and Value (CReSV), aims at monitoring and tracking the overall corporate performance according to a multiple bottom line perspective based on a stakeholder framework (Perrini and Tencati, 2006, 2007)[i].	– http://www.unibocconi.eu/wps/wcm/connect/SitoPubblico_EN/Navigation+Tree/Home/Research/Research+Centers/?lang=en

[i] See chapter 5, section 5.3.

Table 2.2 Some examples of market-based instruments

Instruments	**Brief description**	**Web site(s)**
EU Emissions Trading System	The European Union Emissions Trading System (EU ETS) is the first international trading system for CO_2 emissions in the world. It covers more than 11,000 energy-intensive installations in 31 countries and flights to and from these countries (i.e., the EU states + the three EEA-EFTA states: Iceland, Liechtenstein and Norway), and represents around 45% of the EU's total greenhouse gas emissions. The facilities include combustion plants; oil refineries; coke ovens; iron and steel plants; and factories making cement, glass, lime, bricks, ceramics, pulp, paper and board.	– http://ec.europa.eu/clima/policies/ets/index_en.htm
Carbon offset initiatives	Voluntary initiatives, based on market mechanisms (that is,	– http://www.cdmgoldstandard.org/

	carbon credits), adopted to reduce and compensate CO_2 emissions. Examples, in this field, are represented by the Gold Standard, started in 2003 by a group of NGOs including WWF, which is the most recognized certification scheme worldwide for carbon offset projects, with a current value of around a half-billion Euros, or the ‘Zero Impact’ program, developed by LifeGate, an innovative Italian company that provides organizations and consumers with sustainability-oriented products and services.	– http://wwf.panda.org/what_we_do/how_we_work/businesses/climate/offsetting/gold_standard/ – http://www.lifegate.it/

Table 2.3 Some examples of certification schemes

Schemes	**Brief description**	**Web site(s)**
Social Accountability 8000 (SA8000)	SA8000 is a comprehensive system for managing ethical workplace conditions along global supply chains. It protects workers' rights by defining a set of auditable elements for third-party verification. This international standard for ethical sourcing was issued in 1997, revised in 2001, 2008, 2014. SA8000 is based on the International Labour Organization (ILO) Conventions and other documents such as the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.	– http://www.sa-intl.org/
OHSAS 18001	The Occupational Health and Safety Assessment Series (OHSAS) specification, OHSAS 18001, was published in April 1999.	– http://www.bsigroup.com/en/ – http://www.bsigroup.com/en-GB/ohsas-18001-occupational-health-and-safety/BS-OHSAS-18001-Revision/

	This standard, which defines the requirements for the certification of the Occupational Health and Safety Management Systems, was developed by the British Standards Institution (BSI), in association with other national standards bodies, certification bodies and international experts. In 2007 it was replaced by BS OHSAS 18001:2007, the ‘Occupational health and safety management systems. Requirements’ standard. BS OHSAS 18001 will be replaced by ISO 45001, a new ISO standard that is expected to be issued in October 2016.	
EDGE	EDGE (Economic Dividends for Gender Equality) was established by the EDGE Certified Foundation (founded in 2009) as the only global assessment methodology and business certification standard	– http://www.edge-cert.org/

	for gender equality. The EDGE methodology and certification system was developed 2009-2010 and launched at the World Economic Forum in 2011. EDGE methodology assesses policies, practices, and results, taking into account five different areas of analysis: equal pay for equivalent work, recruitment and promotion, leadership development training and mentoring, flexible working conditions, and company culture. The standard can be applied across all industries and regions. As of 26 August 2014, the certified companies are the following: Deloitte Switzerland, IKEA Switzerland, CEPD Poland, Compartamos Banco Mexico, Lombard Odier Switzerland, L’Oréal USA.	

EMAS	The EU Eco-Management and Audit Scheme (EMAS) is a management tool for every kind of organization to evaluate, report and improve environmental performance. The scheme has been available for participation by companies since 1995 and was originally restricted to firms in industrial sectors. Since 2001, because of a new Regulation, EMAS has been open to all economic sectors including public and private services. In 2009 the EMAS Regulation was revised and modified for the second time: the EMAS III Regulation was published on 22 December 2009, and aims at increasing the participation of companies, partly by reducing the administrative burden and costs, particularly for small and medium-sized enterprises (SMEs).	– http://ec.europa.eu/environment/emas/index_en.htm – http://ec.europa.eu/enterprise/environment/index_en.htm

ISO 14001: 2004	ISO 14001:1996 Environmental management systems – Specification with guidance for use, was published in September 1996. It was replaced by ISO 14001: 2004 Environmental management systems – Requirements with guidance for use, issued in November 2004. ISO 14001, now under review (the updated version is expected by the end of 2015), is the only certifiable management system standard of the ISO 14000 series.	– http://www.iso.org/iso/iso_catalogue/catalogue_tc/catalogue_tc_browse.htm?commid=54808&published=on&includesc=true
European Ecolabel	This is a voluntary scheme designed to encourage businesses to market goods and services that are truly environmentally friendly, and to signal to European consumers – including public and private purchasers – that these excellent products follow strict environmental criteria throughout their entire	– http://ec.europa.eu/environment/ecolabel/index_en.htm

	life cycle. The Ecolabeled products are available throughout the European Union as well as in Norway, Liechtenstein and Iceland. The European Ecolabel is part of a broader strategy aimed at promoting sustainable consumption and production. The revised Ecolabel Regulation was issued on 30 January 2010 and it aims to simplify the process of obtaining the Eco-Flower and broaden the product coverage.	
Forest Stewardship Council (FSC)	Independent, nongovernmental, not-for-profit organization established to promote the responsible management of the world's forests. FSC provides forest management and chain-of -custody standard setting, trademark assurance and accreditation services for firms and organizations	– http://www.fsc.org/

	interested in responsible forestry. Products carrying the FSC label are independently certified to assure consumers that they come from forests that are managed according to sustainability principles, criteria and rules.	
Marine Stewardship Council (MSC)	MSC is a global, independent, not-for-profit organization working with fisheries, seafood companies, scientists, conservation groups and the public to promote environmentally responsible behavior. In fact, the MSC's fishery certification program and seafood ecolabel recognize, support and reward sustainable fishing.	– http://www.msc.org/
Aquaculture Stewardship Council (ASC)	ASC is an independent, international, not-for-profit organization founded in 2010 by WWF and IDH (the Dutch Sustainable Trade Initiative)	– http://www.asc-aqua.org/index.cfm?lng=1

	to develop a set of standards and certification documents for responsible aquaculture through the Aquaculture Dialogues, a program of roundtables started and coordinated by WWF. If MSC can only be applied to fish, crustaceans, and shellfish, which have been caught in the wild, the ASC label certifies responsible aquaculture operations and the related seafood chain of custody. ASC works with international producers, companies in the fish chain and retailers to address the rising consumer requests for responsible fish procurement. It is important to point out what is among the most recent ASC achievements. In August 2013, after ten years of negotiation efforts fostered by WWF, the Global Salmon Initiative (GSI), that is, 15	

	companies covering 70% of global farmed production, committed that 100% of their production will be certified by ASC by 2020. This turning point could have a dramatic impact, in terms of accountability and business practices, not only on aquaculture but on the entire food industry at the global level (Clay, 2013).	
Global Aquaculture Alliance - The Best Aquaculture Practices (BAP) standards	Founded in 1997, the Global Aquaculture Alliance is a nonprofit NGO that develops the Best Aquaculture Practices certification standards and fosters the adoption and implementation of responsible aquaculture practices.	– http://www.gaalliance.org/
BS 8900	This standard provides guidance for managing sustainable development and was issued by BSI on 31 May 2006. It was based on the SIGMA Project (2003). BS	– http://www.bsigroup.com/en/ – http://www.projectsigma.co.uk/ – http://www.iso20121.org/

	8900 is the founding standard of the BS 8900 series. On 7 August 2013, the new BS 8900 was launched. It is a completely revised standard, now composed of two parts: – BS 8900-1 Guide to managing sustainable development of organization; – BS 8900-2 Framework for assessment against BS 8900-1 – Specification.	

The next paragraphs describe the most important methods of *social, environmental and sustainability performance evaluation and reporting* that can be adopted by a firm.

2.2 Corporate Social Performance Evaluation and Reporting

2.2.1 Social Audit

The success of the CSR concept modifies limits and opportunities within which a company operates. The mere pursuit of profits is no longer sufficient since the company must also consider the needs of different stakeholders capable of influencing its own success. Therefore, it becomes crucial to measure the company's capacity to meet stakeholder needs, and to strike some sort of balance between what the company offers and what it receives from the social system. In order to address these issues, the first social auditing systems were developed, between the late '60s and early '70s, in the United States and then in Europe.

The many different approaches and the fact that it is generally a voluntary tool that measures the social results of companies – and is thus subject to the influence of specific variables of a cultural, political and economic nature – has made it impossible to develop a generally accepted social reporting framework. The methods adopted diverge in content and final objective, so the picture of the relationships between company and society appear markedly distant from one another. However, despite these divergences it is possible to formulate a definition of social auditing by combining the different experiences developed up to now. To sum up, a social audit can be considered the control, at a given time, of the impact the activities of an organized system (in particular, a company) have on the well-being of the individuals who in some way interact with that organization (Bonal, 1982). In order to better explain the solutions adopted by companies over time, it might be useful to see how the different approaches to accountability are classified (see table 2.4). They include different ways of measuring social impact and different ways of conducting activities regarding *Social and Ethical Accounting, Auditing and Reporting* (SEAAR) (AccountAbility, 1999).

Table 2.4 Approaches to accountability

Stated or 'named' approach	**Examples of organizations using these approaches**	**Description**
Capital valuation	Skandia	Regularly disclosed process to understand, measure, report, and manage various forms of capital (which could include intellectual, human, social, environmental, organizational, structural and financial capitals)
Corporate community involvement reporting	BP, Diageo (formerly, Grand Metropolitan), NatWest Group	Description, illustration, and measurement of community involvement policies and activities through occasional reports. This approach may also include benchmarking against other companies' performance
Ethical accounting statement	Sbn Bank, Scandinavian public sector	Regularly disclosed process, based on shared values that stakeholders develop through ongoing dialogue, aimed at designing future actions
Ethical auditing	The Body Shop International	Regular, externally verified process to understand,

		measure, report, and improve an organization's social, environmental and animal testing performance through stakeholder dialogue
Social auditing	Ben & Jerry's Homemade, VanCity Credit Union, Black Country Housing Association, Co-op Bank	Regular, externally verified process to understand, measure, report, and improve an organization's social performance through stakeholder dialogue
Social Balance	Coop Italia, Unipol	A regular reconstruction and aggregation of financial data, across stakeholder groups, which specifies financial costs associated with 'social activities'
Value-added statement	Credito Valtellinese, Telecom Italia, MPS, Acea, South African Breweries	Process to quantify the value-added generated by an organization and its distribution to stakeholder groups
Statement of principles and values	Shell International	Statement that develops and describes an organization's principles in meeting its financial, social and

		environmental responsibilities
Sustainability reporting	Shell, Baxter International, Procter & Gamble, Interface	Evolving reporting process that identifies ways forward and reports progress against sustainability principles and targets

Source: based on Gonella *et al.* (1998, iv), included in Bennett and James (1999, pp. 55-56)

2.2.2 AccountAbility 1000 (AA1000) Framework, Series and Standards

In order to overcome the aforementioned problems and make the approaches to accountability more uniform, so that information coming from different sources can be compared, in November 1999 AccountAbility (ISEA, Institute of Social and Ethical AccountAbility) published *AccountAbility 1000* (AA1000) (AccountAbility, 1999).

AA1000 is an *accountability standard* designed to ensure the quality of the *social and ethical accounting, auditing and reporting* process. It is a *foundation standard* that can be used in two ways: as a tool to underpin the quality of specialized *accountability standards* (like the *Sustainability Reporting Guidelines* of the Global Reporting Initiative, *Social Accountability 8000* on ethical sourcing, the ISO standards on the development and certification of environmental and quality management systems); as a stand-alone system and process for processing and communicating social and ethical accountability and performance.

The principles of the AA1000 standard are organized hierarchically. The fundamental concept, found at the top of the pyramid, which regulates the SEAAR process, is *accountability* and is defined as the capacity ‘to explain or justify the acts, omissions, risks and dependencies for which an organization is responsible to people with a legitimate interest’. The principle of *accountability* means that a company is transparent, responsible and complies with agreed-upon standards. *Accountability* generates the principle of *inclusivity*. *Inclusivity* is based on the remaining principles: *completeness, materiality, regularity and timeliness* regard the scope and nature of the process; *quality assurance* (independent audit of the process), *accessibility* and *information quality* (implying that the information can be compared, is reliable, relevant and understandable) concern the meaningfulness of the information; *embeddedness* (systems integration) and *continuous improvement* affect the management of the process on an ongoing basis. Together with a set of user guidelines, AA1000 therefore provides a framework, which allows the company to effectively implement SEAAR processes and meet stakeholder needs. In fact, the main objective of the standard is to involve the interested parties. Only by building solid relationships with stakeholders is it possible to define shared social and ethical objectives, improving the organization’s capacity to respond by enhancing its corporate performance and thus contributing to sustainability.

In 2002 AccountAbility launched the new AA1000 Series, consisting of the AA1000 Framework and a set of specialized modules. Later, the overall Framework was revised and the outcome of this process was published as AA1000 AccountAbility Principles Standard in 2008. It includes three principles: the foundation principle of *inclusivity* and the related principles of *materiality* and *responsiveness* (AccountAbility, 2008a). The first module of the AA1000 Series is the AA1000 Assurance Standard, issued on 25 March 2003, and later revised. The second edition was published in 2008 (AccountAbility, 2008b). The second module is the AA1000 Stakeholder Engagement Standard, issued on 1 September 2005. The second edition of this document was published in 2011 (AccountAbility, 2011).

2.2.3 SA8000, the Ethical Sourcing Standard

The *Council on Economic Priorities Accreditation Agency* (CEPAA)[ii] promoted the development of *Social Accountability 8000* (SA8000), a system which protects workers' rights by defining a set of auditable standards for a third party verification. CEPAA was an organization set up at the beginning of 1997 by the *Council on Economic Priorities* (CEP), one of the first institutions to deal with CSR issues. CEPAA immediately set up an Advisory Board, which helped the agency draw up SA8000. This Board was originally made up of representatives from NGOs such as Amnesty International and the Abrinq Foundation for Children's Rights (Brazil); consulting companies; auditing and certification bodies such as KPMG and SGS-International Certification Services; companies such as Avon, The Body Shop, Toys "R" Us, Otto-Versand and Reebok; distribution companies; trade unions and universities, etc. The SA8000 standard was officially launched on 15 October 1997. A revised version was issued at the end of 2001, the third edition was published in 2008, and the fourth edition was adopted in

[ii] *Social Accountability International* (SAI) is the new name adopted by CEPAA in the summer 2000.

June 2014 and published the following August (Social Accountability International, 20014a, 2014b). Based on the International Labour Organization (ILO) Conventions and other documents such as the Universal Declaration of Human Rights and the United Nations (UN) Convention on the Rights of the Child, SA8000 is a standard for companies aiming to guarantee fundamental workers’ rights. It is specific enough to be used to audit companies and suppliers in the same way in different sectors and countries. SA8000 represents a significant innovation since it was conceived as the first social standard whose application can be controlled by independent third parties. SA8000 basically provides a reference framework to control the ethical conditions of the production of all the goods manufactured by companies of all sizes throughout the world. This standard represents an important opportunity for companies to demonstrate their commitment to carrying out processes and products in a really ethical way.

The standard addresses the following eight fundamental labor issues:

1. Child labor;
2. Forced or compulsory labor;
3. Health and safety;
4. Freedom of association and right to collective bargaining;
5. Discrimination;
6. Disciplinary practices;
7. Working hours;
8. Remuneration.

A ninth element of the standard is represented by the management system: In fact, an organization is in compliance with SA8000 through an appropriate and effective management system.

SA8000: 2014 introduces the *SA8000 Performance Indicator Annex*, that is, a normative document that sets out the minimum performance expectations of an SA8000 certified organization and, thus, of its worksite(s). The release of the Annex is expected by October 2014[iii].

As of 31 December 2013, the number of SA8000 certified organizations throughout the world (74 countries and 65 industries) totaled 3,254, with 1,076 facilities certified (33%) in Italy, 769 (23.6%) in India, 569 (17.5%) in China[iv]. The first company to be certified against the standard in Europe, in 1998, was Coop Italia, the national consortium that carries out purchasing, marketing and quality control activities for the entire Coop system, the largest Italian retail chain, with a 19.1% share in the grocery market at the end of 2013[v]. Since the launch of the standard other certified organizations included Avon Products (Suffern, New York), with the first site to be certified in the world; Celtipharm (France); Hoechst Marion (Turkey); Honda Logistic Center (Italy); many factories all over the world, especially those producing toys, sportswear and sneakers, etc. (Tencati, 2010). The certified companies meeting the

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[iii] See http://www.sa-intl.org/index.cfm?fuseaction=Page.ViewPage&pageId=937.

[iv] See http://www.saasaccreditation.org/certfacilitieslist.htm.

[v] See http://www.e-coop.it/web/guest?antiCache=1409237983193. Coop is one of the leading companies selected for the analysis of the corporate practices in the sustainability evaluation and reporting field. See chapters 3 and 4.

requirements are entitled to display the *SA8000 Certification Mark*. The certification is valid for three years with audits carried out every six months.

2.2.4 GBS Proposal

Il Gruppo di studio per il Bilancio Sociale (the Study Group for Social Reporting)[vi], also called GBS, held its first meeting on 15 October 1998, in Milan. Many Italian Universities, research institutes and consulting firms participate in GBS activities. In April 2001 GBS published the *Social Reporting Standards*.

According to the GBS proposal the Social Report has the following objectives:

- providing all stakeholders with a comprehensive picture of the company's performance, establishing an interactive social communication process;
- giving relevant information on the company's operations in order to broaden and improve stakeholders' awareness and ability to evaluate and make choices, also from an ethical-social standpoint (Gruppo per il Bilancio Sociale, 2001, p. 13).

Furthermore, the social reporting processes must comply with the following principles in order to ensure its quality: responsibility, identification, transparency, inclusivity, consistency, neutrality, accrual basis, conservatism, comparability, meaningfulness, clarity and intelligibility, verifiability of the information, reliability and true and fair presentation, third party independence.

[vi] For further information, see the web site of GBS, http://www.gruppobilanciosociale.org.

Finally, the social report is composed of the following three elements:

the *corporate identity*, which comprises corporate structure, ethical values, mission, strategies and policies;

the *creation and allocation of value added*;

the *social account*, which provides a broad picture of the outcomes achieved by the company through the implemented strategies and policies, and of the impacts generated by its behavior on the different stakeholder groups in relation to the adopted commitments.

An updated standard was published in 2013: it takes into account the theoretical and practical evolutions that affected the social/environmental/sustainability reporting over more than ten years. However, it confirms the structure of the social report previously established, with a stronger focus on environmental matters (Gruppo di studio per il Bilancio Sociale, 2013a, 2013b).

In Italy, the GBS model is a point of reference for social reporting and it has been applied by private and public organizations.

2.3 Corporate Environmental Performance Evaluation and Reporting

2.3.1 Corporate Environmental Reporting

In general, the corporate *Environmental Report* is a tool a company uses to manage and control corporate activities and support communication with the stakeholders, especially those interested in environmental issues (Azzone *et al*., 1997). These groups include the following: employees and collaborators; clients/consumers; suppliers; local and/or national communities; the State, local bodies and the public administration; the mass media; special interested parties (consumer associations, environmental groups, etc.); banks; insurance companies; investors (individual shareholders, institutional investors, etc.). The perceived environmental risk of a company's activities can, in fact, influence the stakeholder attitude (either positively or negatively) towards the company. A careful communication strategy must, therefore, make the stakeholders aware of the degree of eco-compatibility of production processes and products and provide reliable and understandable information related to the company's current and future plans with regard to the environmental protection activities. In this sense, the environmental report, meaning the information system that controls the company's ecological performance, has come to play a crucial and necessary role.

Drawn up mainly on a voluntary basis, the environmental report reflects the specific corporate, economic, legal and social context in which it is developed. The first environmental reports were developed by research centers and companies in Germany, the Scandinavian and Anglo-Saxon countries in the late '80s, and they coincided with the public's growing awareness of the importance of environmental issues. Subsequently, this tool began to be commonly used even in the less-aware countries from the ecological point of view.

Due to the wide variety of methods and content and the complexity of the issue, a definitive and generally accepted model of corporate environmental report is still not available. Many organizations[vii] have drawn up guidelines for environmental reporting in order to help companies implement environmental accountability schemes. There are, however, at least two environmental reporting schemes worth analyzing in greater detail since they present important and interesting features: the framework of the Eni Enrico Mattei Foundation (see Box 2.1) and the IÖW framework (see Box 2.2).

Box 2.1 The Eni Enrico Mattei Foundation framework

At the beginning of the '90s, the Eni Enrico Mattei Foundation (FEEM), a research institute that studies issues related to the environment, energy and economic development, defined a model of environmental report, which can be a useful management and information tool. The aim was to support companies through a reference framework improving upon the partial approaches adopted in the past and providing concrete information, to help firms communicate better and make the right decisions regarding the environmental management. The suggested model calls for

[vii] Some of these are the following: CEFIC-European Chemical Industry Council; CERES-Coalition for Environmentally Responsible Economies; GEMI-Global Environmental Management Initiative; PERI-Public Environmental Reporting Initiative; UNEP-United Nations Environment Program; WBCSD-World Business Council for Sustainable Development.

building a complete accounting system, which includes physical indicators and monetary measurements of the costs incurred to reduce or prevent pollution. The FEEM corporate environmental report is divided into three separate accounts: the resources account (input); the pollutants account (output); the environmental expenditure account. The model therefore consists of an input-output analysis together with the environmental expenditure. In this way, the environmental report becomes an intelligent container of environmental information in that it adopts methods to gather and organize the basic data, which are fundamental for each subsequent elaboration. Since 1994, the Eni group has used this model to build its environmental reports.

Source: Bartolomeo *et al*. (1995)

Box 2.2 The IÖW framework

Between the autumn of 1987 and 1988 the Nordrhein-Westfalen region commissioned the Institut für Ökologische Wirtschaftsforschung (IÖW), in conjunction with Umwelt-future (a German association of entrepreneurs), to develop and implement a new model of corporate environmental report. For this purpose, the Tecklenburg plant of the Bischof & Klein Company, which produced flexible packaging, was chosen. In 1987 the company employed over 2,000 workers and had a turnover in Germany of 400 million marks. The Tecklenberg plant employed 80 workers and manufactured bags and containers. The environmental reporting system developed by the IÖW (called *ecobalancing*) is made up of four elements: (1) corporate ecobalance or input-output analysis; (2) process ecobalances; (3) product ecobalances; (4) site assessment. The first element of the German model is the typical input-output analysis also found in the

FEEM scheme, which considers the company or the plant analyzed as a kind of black box. The process ecobalances aim to audit the environmental impact related to the internal functioning of the black box left unexamined in the preceding phase. The production processes are subsequently subdivided according to criteria of space and time and inherent in the product. Each process thus identified is then analyzed by using a specific input-output matrix of the materials and energy flows. The product ecobalances coincide with the LCA (*Life Cycle Assessment*) of the company's main products and the site assessment represents a register of all the ecologically relevant aspects not included in the previous phases (need for reclaiming some sites, use of land, modifications in the landscape, etc.). In the German-speaking countries, the IÖW framework is considered a reference scheme used to draw up environmental reports, and it has been applied by many companies such as AEG Hausgeräte, (purchased by Electrolux in 1994), the Kunert textile company (the first German company to publish a complete environmental report in 1991), Siemens, Volkswagen, Allianz Versicherung, Sanyo and Novartis.

Source: Hallay (1990); Hallay and Pfriem (1992)

2.3.2 Environmental Management Systems

In the '90s, the public and companies became more aware of the importance of environmental issues. As environmental awareness increased and companies began to include this variable in their corporate policies, standards to regulate environmental management systems were developed. In March 1992 the British Standards Institution (BSI) published the first environmental management systems' standard, which shared the same management principles as BS 5750 (subsequently replaced by the BS EN ISO 9001 standard) on quality assurance systems and represented a direct outgrowth in the area of environmental protection. The BS 7750 was tested over a two-year period and involved at least 500 participants, including 230 companies. On the basis of the results obtained during this phase, and the content of the new EMAS regulation, the modified and definitive version of BS 7750 was issued in January 1994. On 29 June 1993, the Council of the European Communities adopted the EEC Regulation No. 1836/93, allowing voluntary participation by companies in the industrial sector in a Community Eco-Management and Audit Scheme (EMAS). It was published on 10 July 1993, in the Official Journal of the European Communities, and came into force in April 1995. As the first article of the regulation clearly underlined, EMAS was established for the evaluation and improvement of the environmental performance of industrial activities and the provision of relevant information to the public. EMAS aimed to promote continuous improvements in the environmental performance of industrial activities by these means: the establishment and implementation of environmental policies, programs, and management systems by companies, in relation to their sites; the systematic, objective and periodic evaluation of the performance of such elements; the provision of information of environmental performance to the public through the environmental statement.

Many parts of the EMAS regulation coincide with BS 7750, and this demonstrates the influence the 1992 version of the British standard had on the new European regulation. In fact, at that time, the BS 7750 specification was the only tool regulating environmental management systems. Only in September 1996 was the standard ISO 14001:1996 Environmental Management Systems – Specification with guidance for use, published. It was largely based on the BS 7750 approach. In November 2004 the revised edition of ISO 14001 was issued.

Following a revision based on the experience acquired during the first five years, the first EMAS regulation was applied, on 19 March 2001, the European Parliament and the Council of the European Union adopted the EC Regulation No.761/2001, allowing voluntary participation by organizations in a Community eco-management and audit scheme (EMAS II). The regulation came into force on 27 April 2001, and replaced the previous regulation. The main elements of the revised EMAS regulation are as follows: it applies to organizations; the adoption of ISO 14001 as the specification for the Environmental Management Systems Requirements; the promotion of organizations' participation, in particular of small and medium-sized enterprises; the strengthening of the role of the environmental statement to improve the transparency of communication of environmental performance between registered organizations and their relevant interested parties and the public. EMAS, therefore, is no longer exclusively applied to industrial sites but to all types of organizations according to the ISO 14001 standard.

Moreover, the greater integration between EMAS and ISO 14001 makes it possible to better coordinate the European regulation and the international standard.

A further revised version of the EMAS Regulation was issued in 2009 (EMAS Regulation 1221/2009). EMAS III pays special attention to environmental reporting (European Parliament and Council, 2009).

In particular, a set of core environmental performance indicators, which can be applied to all types of organizations, is advanced. They cover the following key areas:

(i) Energy efficiency;

(ii) Material efficiency;

(iii) Water;

(iv) Waste;

(v) Biodiversity, and

(vi) Emissions.

Each organization can also annually report on its performance related to more specific environmental aspects, identified in its environmental statement.

Organizations have to recognize the need for local accountability: If they decide to produce just one environmental statement including different geographic locations, the statement has to cover the significant environmental impacts of each site in order to inform the local communities.

The advantages a company can obtain by introducing a management system, especially one that integrates quality, health, safety, and environment (i.e., an Integrated

Management System, IMS), are of an organizational, managerial and economic nature. The advantages include the following: clear and coherent definition of responsibilities and operating procedures; elimination of inefficient duplications and overlapping from the organizational point of view; one single file of records; full value given to in-company competencies; improved evaluation of corporate risk profile and performance; better analysis, control and evaluation methods; better management of relationships with the different stakeholders; reinforcement of corporate image; greater compliance with regulatory standards; easier access to financial and insurance markets; reduction in management costs including auditing costs; more efficient use of raw materials and resources; fewer serious occupational accidents; fewer criminal lawsuits; minimization of hidden losses and liabilities. In short, management systems (and the related standards) are performance indicators since their adoption usually signifies companies that are active from the managerial viewpoint and pay close attention to developing and maintaining correct relationships with stakeholders. Moreover, they are tools for corporate performance measurement and evaluation since setting objectives and targets, which companies have to achieve, is part of their requirements. Corporate performance is subsequently controlled through auditing procedures.

Finally, ISO has issued two standards, among others, specifically related to environmental performance evaluation and reporting because of the efforts carried out by the ISO Technical Committee ISO/TC 207 on ‘Environmental Management’:

- ISO 14031:2013, which provides guidance on environmental performance evaluation.

- ISO 14063:2006, which gives guidance on general principles, policy, strategy, and activities related to both internal and external environmental communication.

2.4 Corporate Sustainability Performance Evaluation and Reporting

2.4.1 Global Reporting Initiative

The Global Reporting Initiative (GRI) is an international, long-term, multistakeholder project designed to develop, promote, and disseminate a common framework for voluntary reporting of the economic, environmental and social performance of an organization (its activities, products and services). The *Sustainability Reporting Guidelines* provide this framework.

GRI is the result of a process begun in the autumn of 1997, which aimed to develop an international framework for environmental reporting. During the first meetings held at the beginning of 1998, GRI expanded its scope and redirected its focus to defining guidelines for sustainability reporting, including not just environmental factors but economic and social ones, according to the TBL approach. In partnership with UNEP the GRI network includes the active participation of companies, entrepreneurial associations, workers' associations, research institutes, universities, government representatives, NGOs, consulting firms, rating agencies, auditing firms, associations of chartered accountants. A provisional version of the Sustainability Reporting Guidelines was published in 1999. After being tested in some companies, the revised, final version was issued in June 2000. For each dimension of sustainability (environmental, economic, social) the Guidelines include categories, aspects, and indicators. After the guidelines were applied in an increasing number of companies[viii], in April 2002 a draft document containing the 2002 Sustainability Reporting Guidelines was released. The process of stakeholder consulting ended on 26 May, and during the Johannesburg Summit the new guidelines were issued (Global Reporting Initiative, 2002). In the 2002 version, the performance indicators were revised, reorganized, and integrated, especially as regards the economic category and social ones (*labour practices and decent work*, *human rights*, *society* and *product responsibility*). In January 2006 the draft version of the *G3 Sustainability Reporting Guidelines* was issued for public comment. After this engagement process, during the first Amsterdam Global Conference on Sustainability and Transparency, held from 4 to 6 October 2006, the new *G3 Guidelines* were officially presented and released (Global Reporting Initiative, 2006). This third edition of the Sustainability Reporting Guidelines, updated in 2011 (Global Reporting Initiative, 2011), is characterized by a greater attention to the management approaches developed and adopted by a company to address the economic, environmental, and social issues.

The fourth generation of the Sustainability Reporting Guidelines (*G4 Guidelines*) was launched on 22 May 2013, in Amsterdam. The new features are the following[ix]:

[viii] As of 2013 more than 3,300 organizations from all over the world used the GRI Guidelines for their reports. For further information, see the GRI's Sustainability Disclosure Database, http://database.globalreporting.org/.

[ix] For further information on this topic, see also Baker (2013).

After around fifteen years of continued strong growth in sustainability reporting and in the related development and diffusion of the Sustainability Reporting Guidelines, G4 aims to systematize and consolidate a standardized approach to reporting (Global Reporting Initiative, 2013b, p. 3).

G4 emphasizes the identification of material aspects (that is, materiality) and of boundaries relevant to the definition of the report contents: Organizations need to 'focus on what matters, where it matters' (Bertazzi, 2014);

New and revised disclosures are required for supply chain, governance, ethics and integrity, anti-corruption, and GHG emissions and energy issues (Bertazzi, 2013).

Instead of the previous application levels (i.e., the ABC system, which, in some cases, has led to misinterpretations and misleading communications), G4 introduces the 'in accordance' options: the core one and the comprehensive one.

G4 is also conceived to further harmonization and alignment with other tools, methodologies and reporting approaches (e.g., United Nations Global Compact; OECD Guidelines for Multinational Enterprises; Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework; ISO 26000). With regard to integrated reporting,

> 'Although the objectives of sustainability reporting and integrated reporting may be different, sustainability reporting is an intrinsic element of integrated reporting… Sustainability reporting is fundamental to an organization's integrated thinking and reporting process in providing input into the

> organization's identification of its material issues, its strategic objectives, and the assessment of its ability to achieve those objectives and create value over time' (Global Reporting Initiative, 2013b, p. 85)[x].

The guidelines represent an important tool to initiate a process that intends to integrate economic, social and environmental reporting. In fact, they provide indicators to measure performance of the organization in the three areas of sustainability and help enterprises draw up specific integrated indicators (*ratio/cross-cutting indicators*). The GRI guidelines therefore provide an interesting *sustainability report* framework. Following the *social report* and the *environmental report*, it represents the third phase

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[x] Moreover, it is interesting to note the definitions of sustainability reporting and integrated reporting provided by GRI:

> 'Sustainability reporting is a process that assists organizations in setting goals, measuring performance and managing change towards a sustainable global economy – one that combines long term profitability with social responsibility and environmental care. Sustainability reporting – mainly through but not limited to a sustainability report – is the key platform for communicating the organization's economic, environmental, social and governance performance, reflecting positive and negative impacts' (Global Reporting Initiative, 2013b, p. 85).

> 'Integrated reporting is an emerging and evolving trend in corporate reporting, which in general aims primarily to offer an organization's providers of financial capital with an integrated representation of the key factors that are material to its present and future value creation' (Global Reporting Initiative, 2013b, p. 85).

in the development of control and reporting systems aimed at measuring a company's corporate social and environmental performance.

2.4.2 Balanced Scorecard

Proposed by Kaplan and Norton in 1992, the *balanced scorecard* is a balanced measurement and management system, which evaluates corporate performance through a set of measures built around four perspectives: financial; customer; internal business processes; learning and growth (Kaplan and Norton, 1992, 1996). The balanced scorecard is a multidimensional model to monitor corporate performance. It aims to overcome the limitations of the traditional economic and financial measurements and integrate them with indicators of a quantitative and technical nature. This tool, thus, makes it possible to describe and explain what has to be measured in order to assess the effectiveness of strategies (Parker, 2000). The indicators provide a balanced picture of the corporate dynamics in that they also check the development of corporate competences and *intangible assets* (such as the trust-based relationships with consumers), essential for the company's continual success. The balanced scorecard is an important performance measurement methodology, which has been widely used by companies. However, the fact that it is not always applied properly has raised doubts as to whether the managerial tool is really effective. Moreover, Kaplan and Norton themselves proceeded to refine the system and drew up a *balanced scorecard strategy map* (Kaplan and Norton, 2000 and 2004). In any case, due to its multidimensional features and flexibility, this evaluation system can also be oriented to control the sustainability performance of an organization through the introduction of elements of sustainability according to the triple bottom line approach (Figge *et al.*, 2002; Schaltegger and Lüdeke-Freund, 2011). Therefore, the balanced scorecard can be adapted to include economic-financial, social and environmental indicators so that the performance of an organization can be more closely evaluated.

2.4.3 SIGMA Project

If companies have to contribute to achieving overall sustainability by modifying their policies and behaviors, management tools must be developed to help companies reach this objective. The UK Sustainable Development Strategy, published in May 1999, called for a Government commitment to sponsor the creation of a *sustainability management system*. Through the support and involvement of the Department of Trade and Industry, the Department of the Environment, Transport and the Regions, the SIGMA Project[xi] (*Sustainability: Integrated Guidelines for Management*) was launched in July 1999. It aimed to create a *strategic management framework for sustainability*, namely, a set of instruments and requirements for sustainable management, which might serve as an international reference standard. The pilot version of the *SIGMA Guidelines* was presented on 31 May 2001, and was available on the Internet until 31 May 2002, so

[xi] The project resulted from a partnership among organizations with differing expertise: BSI, AccountAbility, and Forum for the Future.

that the interested parties could evaluate it. The new SIGMA Guidelines were launched on 23 September 2003. The Sigma Guidelines include (The SIGMA Project, 2003): (i) a set of Guiding Principles to help organizations understand and deal with the elements linked to sustainability. These Principles consist of two core elements: 1. The holistic management of five kinds of capital (Natural Capital, Social Capital, Human Capital, Manufactured Capital and Financial Capital) that reflect an organization's overall impact and wealth. 2. The exercise of *accountability*, by being transparent and responsive to stakeholders and complying with relevant rules and standards; (ii) a *management framework* which integrates sustainability into core processes and mainstream decision-making. It is basically a management system for sustainability that follows the traditional *Plan*, *Do*, *Check*, *Act* pattern; (iii) a series of instruments and approaches the organizations can use to implement effective strategies, initiate cultural change, promote learning, and reach their objectives. The *SIGMA Toolkit* includes well-known instruments like *benchmarking*, the balanced scorecard applied to sustainability (*sustainability scorecard*), environmental accounting, *stakeholder engagement*, and the GRI guidelines. The Sigma Guidelines therefore represent an interesting effort to organize and synthesize the best management proposals. The aim is to obtain an integrated framework that goes beyond the partial approaches of the individual standards regarding quality (economic performance), safety (social performance) and the environment, and develops a new management paradigm.

This contribution was used as the reference framework for the BS 8900 standard, which is a Guidance for managing sustainable development that was issued on 31 May 2006, and later revised by the British Standards Institution[xii].

2.4.4 Q-RES Project

The Q-RES Project was conceived in September 1999 and launched in 2000 by CELE, the Center for Ethics, Law & Economics of LIUC University in Italy. It aims to develop *a management framework for the social and ethical responsibility* (RES) of corporations, based on the idea of the social contract between the firm and its stakeholders, by defining a new type of quality standard – externally certifiable.

The Q-RES model consists of an integrated and complete set of tools to introduce ethics into companies. It also defines excellence criteria in the management of social and ethical responsibility, taking into consideration emerging international standards and current best practices. The Q-RES management model includes six tools for managing the social and ethical quality of corporations (Q-RES, 2002 and 2004; Commission of the European Communities, 2004):

1. *Corporate ethical vision*: This defines and makes explicit the corporate concept of justice, from which the criterion adopted to balance stakeholders' claims derives. The responsible behavior with which the company has to comply in the relations

[xii] For further information, see http://www.bsigroup.com/en-GB/standards/.

with stakeholders is based on that concept of justice. The ethical vision expresses the concept of a social contract between the company and its stakeholders.

2. *Code of ethics*: This is the main tool to implement social and ethical responsibility within a business organization. Its function goes beyond the legal regulation.
3. *Ethical training and communication*: Ethical training in a company is directed to the company employees and aims at enabling each organization member to apply moral reasoning tools to address ethical questions connected with corporate activities.
4. *Organizational systems of implementation and internal control:* These form the *ethical infrastructure* that is needed to support an effective implementation of corporate social and ethical responsibility.
5. *Social and ethical accountability:* The process of social and ethical accountability aims at broadening the perspective of corporate social communications from the relations between the firm and its shareholders to the relations among the company and all its stakeholders, in the social contract perspective.
6. *External verification:* This is the activity whereby a third party checks the consistency between the social and ethical responsibility tools adopted by the company and the excellence criteria defined by Q-RES. Therefore, external verification/certification provides trustworthiness to the company's declarations concerning its commitments on social and ethical responsibility.

Some Italian companies, professional associations, consulting firms and business organizations participated in the project through the Q-RES Working Table. In Europe, a constructive dialogue was established with similar initiatives (such as the SIGMA Project in the UK and the ValuesManagementSystem in Germany) (Q-RES, 2005).

2.4.5 United Nations Global Compact

In order to promote the idea of corporate citizenship and socially responsible behavior, at the World Economic Forum in Davos on 31 January 1999, United Nations Secretary-General Kofi Annan challenged world business leaders to embrace and enact a Global Compact of shared values and principles in the areas of human rights, labor, and the environment[xiii]. From an operational point of view, the initiative was launched on 26 July 2000, during a meeting at the UN headquarters in New York with the participation of leaders from business, labor organizations, and civil groups.

The UN Global Compact is a voluntary initiative, open to the participation of companies and to the involvement of labor, human rights, environmental, development and academic organizations. It encompasses ten principles, drawn from the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and The United Nations Convention against Corruption. If a company decides to participate in this initiative, the Global Compact asks that the firm act on these principles in the fields of human rights, labor standards, the environment, and anti-corruption in its own corporate domain. Moreover, the company commits itself to producing an annual Communication

[xiii] Later, an anti-corruption dimension was added.

on Progress (COP) that the organization has made in implementing the ten principles in its business activities (United Nations Global Compact, 2007). Thus, the Compact promotes good practices, especially among firms, but does not endorse companies. The UN Global Compact is the world's largest corporate citizenship and sustainability initiative: Since its official launch in 2000, it has grown to more than 12,000 participants, including over 8,000 businesses in 145 countries around the world[xiv].

2.4.6 The Italian CSR-SC Project

One of the most important initiatives carried out during the last decade in Italy in the CSR field was the project called *Corporate Social Responsibility-Social Commitment* (CSR-SC), launched by the Italian Ministry of Labor and Social Affairs in June 2002 (Perrini *et al*., 2006; Perrini and Tencati, 2008; Tencati *et al*., 2004). Università Bocconi was involved in the Project by the Italian Ministry as a technical partner. The main aims that the CSR-SC Project pursued were as follows:

- promoting a CSR culture among companies;
- defining a simple and modular tool that firms can adopt on a voluntary basis in order to identify socially responsible behavior;
- proposing a list of relevant performance indicators to measure the social performance of companies;

[xiv] See http://www.unglobalcompact.org/ParticipantsAndStakeholders/index.html.

- guaranteeing citizens that the reporting of corporate social commitment by companies is true and not misleading.

Common elements of the proposal presented during the Third European Conference on Corporate Social Responsibility, held in Venice on 14 November 2003, are the following:

- voluntary approach;
- corporate self-assessment;
- absence of traditional certification mechanisms, and
- a set of performance indicators.

In particular, a set of performance indicators and a system of guidelines were provided in order to support companies in the self-assessment of their own social performance and in the reporting activities through an innovative tool called Social Statement. The Ministry of Labor and Social Affairs' proposal organizes the indicators according to a three-level framework (Global Reporting Initiative, 2002, pp. 36-37):

Categories: stakeholder groups that are specifically affected by clusters of indicators.

Aspects: thematic areas monitored by groups of performance indicators related to a given category of stakeholders.

Indicators: measurements that supply information related to a given aspect. They can be used to check and demonstrate organizational performance. The information can be qualitative, quantitative (physical and technical) or economic-monetary.

The stakeholder categories identified are the following:

- Human Resources;
- Shareholders/Members and Financial Community;
- Customers;
- Suppliers;
- Financial Partners;
- State, Local Authorities and Public Administration;
- Community;
- Environment.

The selected indicators (see the Appendix) were also developed and refined by means of a broad stakeholder engagement process[xv], especially through the establishment of a National CSR Multi-Stakeholder Forum called CSR Forum, which operated in 2004-2005.

[xv] The author of this thesis was nominated by the Italian Ministry of Labor and Social Affairs to assume responsibility for this process.

2.4.7 ISO 26000

The ISO 26000 multistakeholder process[xvi], begun in March 2005 at the first World Meeting in Salvador (Bahia, Brazil), was completed in 2010: The international standard was approved in September 2010 by more than 94% of the votes and issued on 1 November 2010. ISO 26000:2010 has been adopted in 77 countries and translated into 28 languages.

The international standard provides Guidance on Social Responsibility to support not only companies but all organizations (including public authorities and NGOs) to address and manage social issues.

The definition of social responsibility advanced by ISO 26000 is as follows:

> '[R]esponsibility of an organization… for the impacts of its decisions and activities on society and the environment…, through transparent and ethical behaviour that
>
> – contributes to sustainable development…, including health and the welfare of society;
>
> – takes into account the expectations of stakeholders…;
>
> – is in compliance with applicable law and consistent with international norms of behaviour…; and

[xvi] The six involved stakeholder categories were the following: consumer; government; industry; labor; NGOs; and service, support, research and others. See http://www.iso.org/iso/home/standards/iso26000.htm and http://www.iso.org/sr_archives.

- is integrated throughout the organization… and practised in its relationships' (ISO, 2010, sub-clause 2.18).

ISO 26000 is not a management-system standard and is not intended for third-party certification. This is a radical innovation in the ISO panorama and illustrates that social responsibility is increasingly recognized as a strategic perspective that cannot be reduced to a single managerial tool.

In the standard accountability, transparency and stakeholder engagement are among the cross-cutting and characterizing principles/practices. Therefore, the communicating/reporting activities of socially committed organizations are inherent in this voluntary, and not legally binding, standard (see, for example, ISO, 2010, sub-clause 7.5 and Box 15).

2.4.8 European Proposal on Disclosure of Non-Financial Information

On 16 April 2013 the European Commission launched the proposal for a Directive of the European Parliament and of the Council amending Council Directives 78/660/EEC (that is, the Fourth Council Directive on the annual accounts of certain types of companies) and 83/349/EEC (i.e., the Seventh Council Directive on consolidated accounts) with regard to the disclosure of non-financial and diversity information by certain large companies and groups (European Commission, 2013c).

Even if the Fourth Directive, according to Article 46, paragraph 1 (b), states that, where appropriate in order to better understand the corporate development, performance or position, the annual report shall also include non-financial key performance indicators relevant to the particular business, including information related to environmental and employee matters, and, on the basis of Article 46a, provides that listed companies shall include a corporate governance statement in their annual reports, the current approach to accountability in the non-financial domain seems less effective and clear.

Therefore, addressing the requests for more transparency and a common level playing field for companies operating in all sectors, advanced in the Single Market Act issued in April 2011, in the last CSR Communication issued in October 2011, and in two Resolutions adopted by the European Parliament during 2012, the European Commission developed a specific legislative proposal, after a long process of stakeholder engagement that finds its roots in the European Alliance for CSR established in March 2006.

The Commission proposal pursues three goals:

1. Increasing the transparency of certain firms, and increasing the relevance, consistency, and comparability of the non-financial information disclosed, by strengthening and clarifying the existing requirements.
2. Increasing diversity in the corporate boards through enhanced transparency to facilitate an effective oversight of the management and robust governance of the company.

3. Increasing the corporate accountability and performance, and the efficiency of the Single Market.

With these objectives in mind, the proposal

- requires large companies whose average number of employees during the financial year exceeds 500 – and whose balance sheet either exceeds a total of 20 million Euros, or, alternately, whose net turnover exceeds 40 million Euros – to disclose a statement in their annual report including material information regarding at least environmental, social, and employee-related matters, respect of human rights, anti-corruption and bribery aspects. The statement will include (i) a description of corporate policies, (ii) results and (iii) risk-related aspects. According to a ‘report or explain’ approach (Global Reporting Initiative, 2013a), a firm that does not implement any specific policy with regard to one or more of the previous issues will present the reasons for this kind of behavior;
- requires the companies to provide the non-financial information by using national, EU-based or international frameworks, such as the UN Global Compact, the Guiding Principles on Business and Human Rights Implementing the UN ‘Protect, Respect and Remedy’ Framework, the OECD Guidelines for Multinational Enterprises, ISO 26000, the ILO Tripartite Declaration of Principles Concerning

Multinational Enterprises and Social Policy[xvii], and the Global Reporting Initiative, and to specify the frameworks adopted.

Furthermore, those companies that prepare a report (CSR, sustainability, and so on) that references the same financial year will be exempted from the obligation to provide the non-financial statement if the report: (i) covers the same topics and contents, (ii) relies on national, EU-based or international frameworks, and (iii) is annexed to the Annual Report. Subsidiaries will also be exempted if the parent company publishes a consolidated annual report in compliance with the information requirements.

Finally, listed companies shall include a description of their diversity policy, covering issues such as age, gender, geographical diversity, educational and professional background, for their administrative, management and supervisory bodies, in the corporate governance statement. This description will also outline the objectives of the diversity policy, its implementation and the results achieved in the reporting period. Again, according to a 'report or explain' approach (Global Reporting Initiative, 2013d), if the company has no diversity policy, the statement will detail the reasons why this is the case.

The new set of requirements proposed by the European Commission would cover around 18,000 companies in the EU and would be an important step forward towards a more integrated view of business performance management. In any case, the approval

[xvii] The fourth edition of the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy was issued on 29 August 2014. See http://www.ilo.org/empent/Publications/WCMS_094386/lang--en/index.htm.

process by the European Parliament and the Council could take from twelve to twenty-four months.

On 15 April 2014 the plenary of the European Parliament adopted the Directive on disclosure of non-financial and diversity information by certain large companies and groups. The Directive will enter into force once adopted by the Council and published in the Official Journal of the European Union: The adoption occurred in September 2014. Concerned firms will need to disclose information on policies, risks, and outcomes in reference to environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity in their board of directors. In comparison with the Commission proposal, the European Parliament reduced the scope of the new rules. In fact, they will only apply to some large companies with more than 500 employees. In particular, large public-interest entities with more than 500 employees will be required to disclose the non-financial information in their management reports. The 'large public-interest entity' category includes listed companies and some unlisted companies, such as banks, insurance companies, and other firms that are so defined by Member States because of their activities, size or number of employees. The Directive affects around 6,000 large companies and groups across the EU[xviii].

[xviii] See http://ec.europa.eu/internal_market/accounting/non-financial_reporting/index_en.htm.

2.4.9 Connected Reporting Framework

One of the most important outcomes of The Prince's Accounting for Sustainability Project (A4S), established in 2004, was the Connected Reporting Framework (Hopwood *et al.*, 2010; The Prince's Accounting for Sustainability Project, 2007, 2009a, 2009b, 2009c, 2009e).

Connected reporting was intended to provide an innovative approach to corporate reporting in order to overcome the problems (e.g., incompleteness, length, complexity, and so on), affecting the annual reports and accounts of several organizations.

The Framework was primarily conceived to address the information needs of long-term investors and executive management, who want to understand the real impact and relevance of environmental and social issues on business operations and performance. First of all, an organization should connect business strategy and sustainability to determine which sustainability issues are material to its business and how they influence the organization's strategic objectives.

Then, the organization should identify and evaluate the actions taken to address the material sustainability issues; in order to do so, it should select a set of Key Performance Indicators (KPIs) to measure the performance achieved. It is also important to point out the relationship between KPIs and business performance, especially in financial terms.

In the annual connected/integrated report, the organization should disclose targets for KPIs, performance comparisons, and, if possible, the impact of sustainability issues on business results to show the progress made.

The proposal released in 2009 was based on a consultation with over 100 organizations. Furthermore, a case study project was conducted involving six leading companies (Aviva, BT, EDF Energy, HSBC, Novo Nordisk, and Sainsbury's) and two UK public-sector organizations (the Environment Agency and West Sussex County Council) (Hopwood *et al*., 2010; The Prince's Accounting for Sustainability Project, 2009e).

The A4S Connected Reporting Framework can be considered a sort of *trait d'union* with the following step in the reporting field, that is, the Integrated Reporting. In fact, on 11 September 2009, A4S and the Global Reporting Initiative convened a meeting of representatives of different stakeholder groups – including investors, accounting bodies and companies – to discuss the need for integration of financial and sustainability reporting.

Because of that meeting a set of proposals was developed and later presented during The Prince's Accounting for Sustainability Forum on 17 December 2009 by The Prince of Wales on behalf of A4S, GRI and IFAC (International Federation of Accountants). The main goals of those proposals were as follows (Hopwood *et al*., 2010, pp. 44-45; The Prince's Accounting for Sustainability Project, 2009d):

- creating a new connected and integrated reporting model;
- establishing an accountable governance structure.

In May 2010 the International Integrated Reporting Committee (IIRC) was set up. In November 2011, the Committee was renamed the International Integrated Reporting Council[xix].

2.4.10 International Integrated Reporting Council

> ‘In its simplest terms, One Report means producing a single report that combines the financial and narrative information found in a company’s annual report with the nonfinancial (such as on environmental, social, and governance issues) and narrative information found in a company’s “Corporate Social Responsibility” or “Sustainability” report...
>
> One Report doesn’t mean *Only* One Report. It simply means that there should be one report that integrates the company’s key financial and nonfinancial information...’ (Eccles and Krzus, 2010, p. 10).

[xix] IIRC defines itself as follows:

> ‘The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting.
>
> The International <IR> Framework has been developed to meet this need and provide a foundation for the future’ (International Integrated Reporting Council, 2013b, p. 1).

Integrated reporting is a relatively new phenomenon. The King Code of Governance for South Africa 2009 (King III), issued on 1 September 2009 (Institute of Directors in Southern Africa, 2009), and the related Johannesburg Stock Exchange (JSE) listings requirement, according to which all companies have to either issue an 'integrated report' for financial years starting on or after 1 March 2010, or explain why they are not doing that, in line with a 'report or explain' (Global Reporting Initiative, 2013a) approach, formally opened the international debate on integrated reporting. The definition of an integrated report provided by King III is the following: '[It] [m]eans a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability' (Institute of Directors in Southern Africa, 2009, p. 54).

So, in May 2010, in South Africa, the Integrated Reporting Committee (IRC) was formed to fix guidelines on good practice in integrated reporting. On 25 January 2011, the IRC issued a Discussion Paper advancing a Framework for Integrated Reporting and the Integrated Report (Integrated Reporting Committee, 2011).

After that, the lead on integrated reporting was taken by the IIRC: On 12 September 2011, it published a first Discussion Paper (International Integrated Reporting Committee, 2011), followed by the Consultation Draft of the International Integrated Reporting <IR> Framework, released on 16 April 2013 (International Integrated Reporting Council, 2013a). The initial version of the International <IR> Framework was published in December 2013 (International Integrated Reporting Council, 2013b, 2013c, 2013d)[xx]. After that, the document will be updated periodically. The

[xx] In order to better understand the linkages among the different institutions in the reporting field, it is important to know that the IIRC is chaired by Professor Mervyn E. King, who also serves as chairman of

International <IR> Framework substantially confirms the approach adopted in the Consultation Draft, with very limited and peripheral changes to address stakeholder observations (Integrated Reporting Council, 2013c).

According to the Draft International <IR> Framework (International Integrated Reporting Council, 2013a, p. 8), the integrated reporting is

> ‘a process that results in communication by an organization, most visibly a periodic integrated report, about value creation over time.
> … An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.
> … An integrated report should be prepared in accordance with this Framework’.

The main targets of the integrated report are the providers of the financial capital, because they need qualified information for their capital allocation decisions. From this standpoint the concept of capitals is crucial in the document. They are

> ‘Stores of value on which all organizations depend for their success as inputs, in one form or another, to their business model, and which are increased, decreased or transformed through the organization’s activities and outputs. The capitals are

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the King Committee on Corporate Governance in South Africa, which developed King I, II and III. He was chairman of the IRC of South Africa and of the Global Reporting Initiative as well. With regard to the relationships between King III in South Africa and the International <IR> Framework, see also http://www.sustainabilitysa.org/Portals/0/Documents/Integrated%20report_June2014.pdf.

> categorized in this Framework as: financial, manufactured, intellectual, human, social and relationship, and natural' (International Integrated Reporting Council, 2013a, p. 36).

Capitals can also be intended as sets of resources and relationships (International Integrated Reporting Council, 2013a, p. 11). Organizations are not obliged to use all six capital categories if they consider any of them as immaterial but, according to a 'report or explain approach' (Global Reporting Initiative, 2013a), they need to disclose the reasons why they do so.

Even if this point has not been made explicit in the IIRC Framework, the real argument for this strong focus on capitals is related to accounting principles and practices. In fact, according to the SASB's Conceptual Framework[xxi], 'Accounting is concerned with the conceptualization of capital flows, its concrete expression in numbers, as well as budgeting, monitoring and reporting to the capital markets' (Sustainability Accounting Standards Board, 2013a, p. 4; see also Sustainability Accounting Standards Board, 2013c, p. 3). In a certain sense, the main goal of the different accounting bodies is to provide correct and effective rules to quantify financial capital. But, if sustainability matters, other forms of capital beyond the well-established financial and manufactured ones should be considered. And this idea also has an impact on value creation processes because the real meaning of value is broader than the traditional financial interpretation and should encompass other forms that affect the capital dynamics in positive or negative ways. However, the purpose of an integrated

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[xxi] See the next paragraph 2.4.11.

report is not ‘to measure the value of an organization or of all the capitals, but rather to provide information that enables the intended report users to assess the ability of the organization to create value over time’ (International Integrated Reporting Council, 2013a, p. 16), which ultimately affects the financial performance.

The Framework also introduces the concept of business model, that is, an organization’s ‘chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term’ (International Integrated Reporting Council, 2013a, p. 14).

The guiding principles of the IIRC proposal are the following (International Integrated Reporting Council, 2013b, p. 16):

A. Strategic focus and future orientation;

B. Connectivity of information;

C. Stakeholder relationships;

D. Materiality;

E. Conciseness;

F. Reliability and completeness, and

G. Consistency and comparability.

Finally, the integrated report should include the following content elements (International Integrated Reporting Council, 2013b, p. 24):

A. Organizational overview and external environment;

B. Governance;

C. Business model;

D. Risks and opportunities;

E. Strategy and resource allocation;

F. Performance;

G. Outlook, and

H. Basis of preparation and presentation,

taking into account the matters (e.g., characteristics of quantitative indicators, level of aggregation of information, and so on) addressed by the General reporting guidance (International Integrated Reporting Council, 2013b, pp. 30-32).

2.4.11 Sustainability Accounting Standards Board (SASB)

The Sustainability Accounting Standards Board (SASB), established in July 2011, is a nonprofit organization aimed at creating and spreading sustainability accounting standards to support publicly listed corporations in disclosing material sustainability issues to the advantage of investors and the public[xxii]. According to the initial expectations, by the first quarter of 2015 SASB intended to develop standards for 89

[xxii] On 1 May 2014, Michael R. Bloomberg, former New York mayor, and Mary Schapiro, former SEC chairman, were respectively appointed chair and vice chair of SASB's Board of Directors. Professor Robert G. Eccles, SASB's first Board chairman, is still a member of the Board working on harmonizing SASB with other sustainability and integrated reporting organizations (Sustainability Accounting Standards Board, 2014).

industries in 10 sectors[xxiii] to be used by companies in providing relevant and appropriate information according to U.S. Securities and Exchange Commission (SEC) disclosure requirements. In particular, U.S. companies have to file the Form 10-K, which annually provides a comprehensive overview of the company's business and financial condition; similarly, foreign companies that issue shares to the public in the U.S. have to submit the Form 20-F.

By developing industry-specific key performance indicators focused on material sustainability issues for disclosure in the SEC Forms such as 10-K and 20-F, SASB helps investors make informed and responsible decisions.

According to the SASB standards,

> '[S]ustainability refers to environmental, social and governance factors that have the potential to affect corporations' long-term value creation and are in the interest of investors and the public. Sustainability impacts arise because of the way companies use resources and impact environment and society through manufacture and/or delivery of their products or services. As such, these impacts are closely associated with business models and operations and must be evaluated on an industry basis in order to maintain materiality. Sustainability factors include the management of corporations' environmental and social impacts, the systems that govern and guide policies and actions, and the

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[xxiii] See, on this point, Knight (2013). On the basis of the most recent information available, the program has been slightly changed: The sectors covered are still 10 but the industries are 86, and the deadline for the entire process has been postponed until April 2016, with a one-year delay. See http://www.sasb.org/standards/status-standards/.

> underlying environmental and social capital upon which value creation can be sustained. Investors and the public deserve to be informed about these impacts, which may ultimately impact financial capital formation and economic value creation' (Sustainability Accounting Standards Board, 2013a, p. 8).

This means that whereas traditional measures of performance usually focus on financial and operational results and how they affect financial and manufactured forms of capital, a more comprehensive view of value creation processes, which also takes into account social, natural, human and intellectual capitals, is needed.

In more detail, what is adopted by SASB is a sort of 'adjusted' triple bottom line that covers three dimensions, that is, the environmental, social and governance ones, in line with an ESG perspective.

SASB standards are comprised of a disclosure guidance and a section on sustainability topics and related accounting metrics, and they need to respect the following criteria; that is, they have to be

- relevant;
- useful;
- applicable;
- cost-effective;
- comparable;
- complete;
- directional, and
- auditable (Sustainability Accounting Standards Board, 2013a, p. 24).

The standards also have to comply with the following set of principles; that is, they have to be

- applicable to all investors;
- pertinent and relevant across an industry;
- focused on driving value creation;
- expected to bring benefits that exceed the perceived costs;
- actionable by the companies;
- easily verified;
- objective and supporting decision-making;
- the highest in quality at any given time;
- reflective of the views of stakeholders;
- determined to support the shift to integrated reporting;
- determined to support the convergence to international accounting standards (Sustainability Accounting Standards Board, 2013a, pp. 24-25).

The work produced by SASB is complementary to other global initiatives such as CDP, the Global Reporting Initiative, and the International Integrated Reporting Council. In particular, with reference to the concept of integrated reporting, the SASB framework shares several of its core elements such as materiality, boundary, accounting for capitals, and a principles-based approach[xxiv]. In addition, SASB conceives its idea of developing standards for completing the set of material information provided by listed companies in mandatory reporting according to SEC disclosure requirements as a means

[xxiv] See the previous paragraph 2.4.10.

to introduce the integrated reporting practice in the U.S. markets (see on this topic Lydenberg *et al*., 2010).

As of 31 August 2014, SASB has published the following:

- the Exposure Draft of its Conceptual Framework to collect public comments, in June 2013;
- the six Health Care Standards (Sustainability Accounting Standards Board, 2013b), covering the following industries: biotechnology, pharmaceuticals, medical equipment and supplies, health care delivery, health care distributors, and managed care, on 31 July 2013;
- the revised Conceptual Framework, taking into account the observations received by 27 July 2013, on 3 October 2013. The final version of the Conceptual Framework (Sustainability Accounting Standards Board, 2013c) substantially confirms the approach adopted in the Exposure Draft;
- the seven Financials Standards, covering the following industries: commercial banks, investment banking and brokerage, asset management and custody activities, consumer finance, mortgage finance, security and commodity exchanges, and insurance, on 25 February 2014;
- the six Technology and Communications Standards, covering the following industries: electronic manufacturing services and original design manufacturing, software and IT services, hardware, semiconductors, telecommunications, and Internet media and services, on 2 April 2014;
- the eight Non-Renewable Resources Standards, covering the following industries: oil and gas – exploration and production; oil and gas – midstream; oil and gas –

refining and marketing; oil and gas – services; coal operations; iron and steel producers; metals and mining, and construction materials, on 25 June 2014.

According to the very tight SASB scheduling, the next steps in the standards development process are represented by the sustainability accounting standards for the transportation industries (expected in September 2014), those for the services industries (expected in December 2014), those for the resource transformation industries (expected in February 2015), those for a first package of the consumption industries (expected in June 2015), those for a second package of the consumption industries (expected in August 2015), those for the renewable resources and alternative energy industries (expected in November 2015), and, finally, those for the infrastructure industries (expected in April 2016).

Chapter 3

Analysis of the Current Practices in the Corporate Sustainability Evaluation and Reporting Field: Methodology

3.1 Introduction

After delineating the broad and articulated map of the management tools developed over more than forty years to support companies in their efforts to manage their social, environmental and sustainability performance, it is now time to focus attention on the concrete corporate behavior in the sustainability evaluation and reporting field.

The current chapter presents the ontological, epistemological, axiological, and methodological features of an inquiry focusing on the social/CSR/sustainability reporting of a sample of sixteen purposefully selected companies.

The final goal of this descriptive and interpretive study[i] is to understand whether the current praxes are suitable for capturing and assessing the real performance firms develop in and through the relationships with their different stakeholder groups.

[i] See the following sections 3.2 and 3.3.

3.2 Philosophical Bases of the Study

'The presence of a basic system of ontological, epistemological, axiological, and methodological assumptions with which researchers approach their research is widely accepted' (Vasilachis de Gialdino, 2009, paragraph 5[ii]).

In a research project such as the present one, specific ontological and epistemological assumptions are made. With regard to this point, Crowther and Lancaster (2008, p. 22) note that '[c]ontemporary management research contains certain theoretical strands and antecedents that serve to shape and inform how such research is conducted'. In this perspective, the ontological position refers to the conceptual approach that underpins the research endeavor, whereas the epistemological position addresses the empirical foundations of the work (Lancaster, 2005, pp. 21-22 and p. 35).

3.2.1 Ontology

According to Hofweber (2011),

> 'As a first approximation, ontology is the study of what there is' and within the larger discipline of ontology we can also include 'the study of the most general features of what there is, and how the things there are relate to each other in the metaphysically most general ways'.

[ii] On this theme, an interesting contribution is provided by Lor (2014).

Thus, in a research project the ontological dimension deals with the researcher's view of the nature of reality (Saunders *et al*., 2009, pp. 110-111 and p. 119). The ontological position (that is, the underlying interpretation of the 'nature of phenomena': see Crowther and Lancaster, 2008, pp. 22-23) characterizing the present thesis derives from observing the unsustainability of the current pattern of development[iii] and from the intertwined need for innovative managerial approaches and tools to face this challenge and change the course[iv]. But are the current management techniques and corporate efforts really able to support firms in addressing the increasing expectations of the different stakeholder groups (e.g., customers, employees, suppliers, local communities, and so on) for more responsible, sustainable, fair, and just corporate behavior[v]? Is it possible to go beyond the prevailing corporate rhetoric (Aras and Crowther, 2009a) to understand the real quality of sustainability evaluation and reporting activities?

From the ontological standpoint, this calls for a constructionist perspective: Meaning needs to be constructed rather than discovered (Levy, 2006, p. 373; on this argument, see also Guba and Lincoln, 1994). This implies that I abandon an objectivist approach, which 'holds that meaning, and therefore meaningful reality, exists as such apart from the operation of any consciousness' (Crotty, 2003, p. 8), in favor of 'the necessity to study ''the details of the situation to understand the reality or perhaps a reality working behind them" (Remenyi *et al*., 1998, p. 35)' (Saunders *et al*., 2009, p. 111).

[iii] See the Introduction and chapter 1, section 1.1.

[iv] See the Introduction and chapter 1, section 1.3.

[v] See the Introduction and chapter 1, section 1.6.

3.2.2 Epistemology

According to Steup (2005),

> ‘Defined narrowly, epistemology is the study of knowledge and justified belief. As the study of knowledge, epistemology is concerned with the following questions: What are the necessary and sufficient conditions of knowledge? What are its sources? What is its structure, and what are its limits? As the study of justified belief, epistemology aims to answer questions such as: How we are to understand the concept of justification? What makes justified beliefs justified? Is justification internal or external to one's own mind? Understood more broadly, epistemology is about issues having to do with the creation and dissemination of knowledge in particular areas of inquiry’.

So, in a research project the epistemological dimension deals with the researcher’s view of what constitutes acceptable knowledge (Saunders *et al*., 2009, pp. 112-116 and p. 119). If, in this thesis, from the ontological point view, a constructionist approach is adopted, in coherence with that my epistemological position overcomes positivism, according to which it is possible for individuals to get hard, secure, objective knowledge about the single external reality (Carson *et al*., 2001, p. 4 and p. 6), and refers to interpretivism[vi], wherein the researcher is called to provide a personal understanding of

[vi] ‘There are three main coexisting paradigms, two of them already established: the historical materialistic and the positivist one, and a third paradigm—the interpretive one—is on its way to being a more and

social phenomena through a careful use of appropriate interpretive processes (Carson *et al*., 2001, pp. 4-7).

In reference to this issue, it is noteworthy that Sumantra Ghoshal warned of ‘the pretence of knowledge’ (von Hayek, 1989) regarding much of the current management research:

> ‘Rejecting what we saw as the “romanticism” of analyzing corporate behaviors in terms of the choices, actions, and achievements of individuals…, we have adopted the “scientific” approach of trying to discover patterns and laws, and have replaced all notions of human intentionality with a firm belief in causal determinism for explaining all aspects of corporate performance. In effect, we have professed that business is reducible to a kind of physics… Unfortunately, … it is an error to pretend that the methods of the physical sciences can be indiscriminately applied to business studies because such a pretension ignores some fundamental differences that exist between the different academic disciplines… The basic building block in the social sciences, the elementary unit of explanation, is individual action guided by some intention… There is, of course, a role for causal theories in the social sciences, but it is a relatively limited one, suitable, for example, for the analysis of phenomena involving the interplay among a very large number of diverse actors (e.g., capital markets), where the intentions of individual actors can be ignored… [A] consequence of

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more unquestioned consolidation’ (Vasilachis de Gialdino, 2009, paragraph 13). On the interpretivist paradigm, see also Cohen and Crabtree (2006a).

> the resulting belief in determinism has been the explicit denial of any role of moral or ethical considerations in the practice of management' (Ghoshal, pp. 77-79).

But, in fact, what I am trying to interpret exactly is the capability of individual firms to address stakeholder expectations, that is, how they undertake their own roles and responsibilities (Ghoshal, 2005, p. 79)[vii]. In order to do that, appropriate qualitative approaches have been adopted.

3.2.3 Axiology

Before entering the methodological features of the research, it is necessary to provide a brief reflection upon its axiological assumptions.

> 'Axiology can be thought of as primarily concerned with classifying what things are good, and how good they are. For instance, a traditional question of axiology concerns whether the objects of value are subjective psychological states, or objective states of the world… Traditional axiology seeks to investigate what things are good, how good they are, and how their goodness is related to one another. Whatever we take the "primary bearers" of value to be, one of the

[vii] See the Introduction and chapter 1.

> central questions of traditional axiology is that of what stuffs are good: what is of value' (Schroeder, 2012).

So, what is of value for the researcher? Are there any valuable elements that orient the current analysis?

As previously described[viii], the overall framework (that is, the interpretative scheme, or frame of reference: Aram and Salipante, 2003) of the study is based on the following two key components:

- the recognition of the need for a paradigm change, from the still prevailing competitive model to the collaborative one, in order to address the sustainability challenge;
- the call for a more comprehensive and reliable view of corporate performance based on a stakeholder framework (Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984; Perrini and Tencati, 2006; Post *et al.*, 2002a, 2002b; Tencati and Zsolnai, 2009, 2014).

Thus, the fundamental assumptions that inform the inquiry have been identified in advance in order to make every step taken in the design and implementation of the research project clear and understandable[ix].

[viii] See chapter 1.

[ix] 'Axiological skill means that the researchers, whether busy with informative or transformative inquiries, are able to articulate a set of shared values, as a basis for making judgments of relevance about what they are doing and how they are doing it' (Heron, 1996, p. 126). On this topic, see also Heron and Reason (1997).

3.3 Methodology

Chapter 2 addressed the first research question of the study[x]−what is the state of the art with regard to the most important initiatives (that is, tools, standards, guidelines, and so on) aimed at supporting companies in managing social, environmental and sustainability performance?−by providing a comprehensive map of the most important proposals and solutions in the corporate performance management and reporting field, that is, by providing a comprehensive 'literature review'.

After and also because of that, the present investigation aims at addressing the second research question−what are the current corporate approaches to sustainability evaluation and reporting?

The goal of the analysis is to understand whether the current corporate practices are really able to capture and assess the different relationships companies develop with their stakeholders in an explicit, clear and complete way.

So, the study is certainly descriptive (Yin, 2003). At the same time, it is exploratory in nature because it intends to find out what is happening, seek new insights, assess the reporting phenomenon in a new light (that is, the stakeholder perspective), and generate ideas for further research (Robson, 2002; Saunders *et al.*, 2009, p. 139)[xi].

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[x] The research questions are firstly presented in the Introduction and, then, at the end of chapter 1, section 1.6.

[xi] Yin (2003, p. 6) writes that in an exploratory study the goal is 'to develop… propositions for further inquiry'.

Therefore, the approach used is inductive in that, ‘when considering management research..., the inductive research approach can be the more appropriate approach to research...’ (Crowther and Lancaster, 2008, p. 31).

In fact, the focus of the investigation is on corporate practices; and for research purposes, qualitative methods have been employed[xii].

In particular, theoretical sampling was used to purposefully select a sample of companies. The social/CSR/sustainability reports published by these firms have been analyzed through a qualitative content analysis. All these methodological choices are detailed in the following paragraphs.

3.3.1 Theoretical Sampling

The research relies on theoretical sampling (Eisenhardt, 1989, pp. 536-537; Eisenhardt and Graebner, 2007, p. 27).

> ‘Theoretical sampling simply means that cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs. … [J]ust as laboratory experiments are not randomly sampled from a population of experiments, but rather, chosen for the likelihood that they

[xii] ‘[Q]ualitative methods “presuppose and draw on interpretive paradigm assumptions,” and the following are their four basic principles: 1. resistance to the “naturalization” of the social world; 2. relevance of the life-world concept; 3. transition from observation to understanding and from the external to the internal point of view; and 4. a recognition of double hermeneutics’ (Vasilachis de Gialdino, 2009, paragraph 17).

> will offer theoretical insight, so too are cases sampled for theoretical reasons, such as revelation of an unusual phenomenon, replication of findings from other cases, contrary replication, elimination of alternative explanations, and elaboration of the emergent theory' (Eisenhardt and Graebner, 2007, p. 27).

This means that firms were purposefully selected to further a careful analysis of the state of the art in the sustainability evaluation and reporting field.

In more detail, the idea was to select multiple cases (Yin, 2003), chosen because they are 'extreme exemplars' (that is, leading companies in the CSR/sustainability field) (Eisenhardt and Graebner, 2007, p. 27)[xiii].

> 'Multiple cases enable comparisons that clarify whether an emergent finding is simply idiosyncratic to a single case or consistently replicated by several cases… Multiple cases also create more robust theory because the propositions are more deeply grounded in varied empirical evidence… Multiple cases also enable broader exploration of research questions and theoretical elaboration' (Eisenhardt and Graebner, 2007, p. 27).

Furthermore, multiple cases within each category allow findings to be replicated within categories (Eisenhardt, 1989, p. 537).

[xiii] In reference to the use of multiple cases chosen following theoretical sampling, see also Hockerts (2014).

Thus, in order to capture and understand the current trends in corporate sustainability evaluation and reporting and interpret firms' ability to address stakeholder expectations, four companies from each of four industries (banks, retailing, telecommunications, and utilities), that is, sixteen firms in total, were selected.

The reasons behind this selection are the following:

- the chosen industries are at the forefront of the sustainability challenge. With regard to that, consider, for example:
  - the role of the banks in the financial crisis beginning in 2007 and still heavily affecting our economies and societies[xiv];
  - the increasing interest that many consumers have in the management and control policies that retailers apply to local, national, or global supply chains[xv];
  - the crucial importance of topics like the digital divide or access to the Internet and mobile services in developed and developing countries[xvi]; and,
  - the crucial importance of activities such as energy, water or waste management[xvii];

[xiv] See, for example, on this topic, Stiglitz (2003, 2012).

[xv] See, for example, on this issue: Pivato *et al*. (2008); Tencati (2011); Tencati *et al*. (2010).

[xvi] Consider, for example, within the proposed goals and targets on sustainable development for the post2015 development agenda defined at the United Nations (UN) level, the goal 16−'Achieve peaceful and inclusive societies, rule of law, effective and capable institutions'−and the related target 16.14−'by 2020 improve public access to information and government data…' (Open Working Group on Sustainable Development Goals, 2014).

[xvii] Again, see Open Working Group on Sustainable Development Goals (2014).

− the selected companies (see table 3.1) are characterized by very interesting and innovative programs and initiatives in the sustainability field. In many cases they are included in ethical/sustainability indexes and/or are considered national ‘champions’, also recognized at the international level because of their advanced conducts and practices[xviii]. Furthermore, also because of their size, their sphere of influence[xix], and their role in their surrounding environment, they are leading firms.

3.3.2 Qualitative Content Analysis

‘According to Weber (1990), content analysis is a “research method that uses a set of procedures to make valid inferences from text” (p. 9)’ (Breuning, 2011)[xx].

Because of the different research purposes, content analysis may focus on the literal content of a text or aim at extracting deeper (or latent) insights. This has determined the adoption of a multiplicity of strategies for analyzing text in a systematic way. Some of

[xviii] With regard to this point, specific information is provided in table 4.1, that is, the Report Assessment Matrix, in the following chapter.

[xix] See ISO 26000, sub-clause 2.19 (ISO, 2010).

[xx] With regard to the definition and use of content analysis, see also Daddi *et al*. (2013).

Table 3.1 The selected companies

Name	Country	Industry
The Co-operative Banking Group	UK	Banks
Credit Suisse	Switzerland	Banks
Intesa Sanpaolo	Italy	Banks
UniCredit	Italy	Banks
Coop	Italy	Retailing
Marks & Spencer	UK	Retailing
Migros	Switzerland	Retailing
Walmart	USA	Retailing
BT	UK	Telecommunications
Deutsche Telekom	Germany	Telecommunications
Telecom Italia	Italy	Telecommunications
Vodafone	UK	Telecommunications
Enel	Italy	Utilities
Hera	Italy	Utilities
RWE	Germany	Utilities
Veolia Environnement	France	Utilities

these strategies, including, for example, word counts, are easier to replicate; others are more interpretive and depend upon the judgment of the researcher working on the text. Most types of content analysis generate quantitative indicators. However, even if, in many cases, quantification is considered a characterizing aspect of content analysis, it is not essential (Breuning, 2011).

In fact, '[q]ualitative content analysis goes beyond merely counting words or extracting objective content from texts to examine meanings, themes and patterns that may be manifest or latent in a particular text' (Zhang and Wildemuth, 2009)[xxi].

> 'Qualitative content analysis examines significant aspects of texts that are not amenable to quantitative techniques. Such techniques measure patterns of frequency and regularity in a large number of texts, but as Siegfried Kracauer (1952–1953) once argued…, what is perhaps most significant about a particular text may resist quantification. Even where this is not the case, some aspects of a text cannot be counted easily, and when they can, this may tell us little of how they operate within or across texts. Examples of textual features and functions resistant, if not allergic, to quantification include irony, ambivalence, and allusion; communicative register and mode of address; folkloric motifs, aesthetic codes, and generic conventions; rhetorical and stylistic devices, including resonant METAPHORS and other figures of speech; and the point of view, presuppositions, and values that may come implicitly with the message and make certain categories or notions appear natural or absolute in meaning' (Pickering, 2004).

The main differences between quantitative and qualitative content analysis are presented in table 3.2.

[xxi] For more information on qualitative content analysis, see also: Berg (2001); Berg and Lune (2011); Hsieh and Shannon (2005).

Table 3.2 Main differences between quantitative and qualitative content analysis

	Quantitative content analysis	**Qualitative content analysis**
Research areas in which the methods were originally developed	Mass communication, in order to count manifest textual elements	Anthropology, qualitative sociology, and psychology, in order to explore the meanings underlying physical messages
Approach	Deductive	Inductive
Sampling	Random or stratified sampling	Purposefully selected texts
Final Outcomes	Numbers to be used in statistical methods	Descriptions, typologies, expressions reflecting the perception of the social world

Source: based on Zhang and Wildemuth (2009)

So, because of the research purposes, I decided to carry out a qualitative content analysis.

Moreover, '[a]n essential stage in any content analysis study is deciding which documents are to be analysed (Krippendorff, 1980)' (Unerman, 2000, p. 669).

The documents analyzed were the most recent social/CSR/sustainability reports published by the selected firms and available to the public on corporate web sites.

I decided to focus my investigation on this kind of reporting because the social/CSR/sustainability reports are the fundamental source of information in reference to corporate sustainability performance, just as the annual report is the fundamental source of information with regard to corporate financial performance. In fact, ‘social and environmental disclosure reports represent the most direct and systematic result of corporate thought about CSR’ (Perrini, 2006, p. 75). Furthermore, CSR reports are considered the fundamental managerial tool for supporting firm-stakeholder dialogue (Vurro and Perrini, 2011, p. 462). Finally, the most recent documents were studied in order to build the most up-to-date picture of corporate practices.

In any case, it is important to stress that, if the main focus of the study was on the social/CSR/sustainability reports, the other corporate documents, including the annual reports, presenting relevant information and the related sections of corporate web sites were examined to understand organization, quantity, and, finally, quality of the information delivered by the firms[xxii].

Even if qualitative content analysis often lacks the explicit coding scheme that is needed for quantitative analysis (Breuning, 2011), this inquiry was carried out using a recording instrument mainly with yes/no answers to standardize data collecting (Perrini, 2006, p. 80). The recording instrument was based on a set of key performance indicators (KPIs) organized according to a stakeholder framework. The KPIs are those developed during the CSR-SC Project[xxiii] and detailed in the Appendix.

The stakeholder groups considered in the analysis are the following eight:

- Human Resources;

[xxii] A complete list of the documents examined for the research purposes is included in a devoted section of the References.

[xxiii] See chapter 2, paragraph 2.4.6.

- Shareholders/Members and Financial Community;
- Customers;
- Suppliers;
- Financial Partners;
- State, Local Authorities and Public Administration;
- Community;
- Environment.

These are the stakeholder groups considered and included in the proposed set of KPIs provided by the CSR-SC Project, and their selection is justified and supported by a review of the stakeholder theory and CSR literature: They are the stakeholder groups usually identified as crucial for firms (consider, for example: Carroll, 1999; Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984, 2010; Garriga and Melé, 2004; Haigh and Griffiths, 2009; Mitchell *et al*., 1997; Perrini *et al*., 2011; Post *et al*., 2002a, 2002b; Tencati *et al*., 2004; Weber and Marley, 2012; Zsolnai, 2006).

The coding categories, or the pieces of information checked for every company through the recording instrument, total 105 (they are all included in the Report Assessment Matrix presented in the next chapter)[xxiv].

[xxiv] 'The coding scheme is the set of all coding categories applied to a collection of texts, in which a "coding category" identifies each characteristic of interest to an investigator. The scheme is systematically applied to all selected texts for the purpose of extracting uniform and standardized data: If a text contains information on any of the coding categories of the coding scheme, the relevant coding category is "ticked off" by a human coder' (Franzosi, 2004).

Trustworthiness of the Analysis

With regard to the trustworthiness of the analysis, if in a quantitative study the criteria to assess the quality of research are typically validity, reliability, and generalizability, which are derived from the physical sciences (Crowther and Lancaster, 2008, p. 81), in an interpretive method like the qualitative content analysis, criteria differ (Zhang and Wildemuth, 2009).

Specifically, those advanced by Lincoln and Guba (1985) are the following:

credibility, which refers to 'the adequate representation of the constructions of the social world under study and can be assessed both in terms of the process used in eliciting those representations and in terms of the credibility of those representations for the community under study' (Bradley, 1993, p. 436);

transferability, which refers to 'the extent that the researchers' working hypotheses about one context apply to another'[xxv] (Bradley, 1993, p. 436);

dependability, which refers 'both to the coherence of the internal process… and to the way the researcher accounts for changing conditions in the phenomena' (Bradley, 1993, p. 437); and,

[xxv] Transferability 'is a judgment that can be made only by comparing the two contexts, the burden of which falls not on the researcher but on those who wish to make the comparison. The researcher's responsibility is to provide enough data, through rich, ample description, to allow these judgments to be made' (Bradley, 1993, pp. 436-437).

confirmability, which refers to 'the extent to which the characteristics of the data, as posited by the researcher, can be confirmed by others who read or review the research results' (Bradley, 1993, p. 437).

Trustworthiness can be achieved and the related criteria can be assured by demonstrating extensive experience in the field, conducting persistent observation and iterative analyses, seeking negative or contradictory examples, searching for confirmatory data through triangulation, providing supporting examples for the conclusions drawn, and discussing the results with peers and members of the community under study (Julien, 2008; see also: Bradley, 1993, pp. 436-437; Cohen and Crabtree, 2006b).

In reference to the present investigation, the researcher who engendered the analysis is an experienced scholar with more than twenty years of activity in the social/environmental/sustainability reporting field.

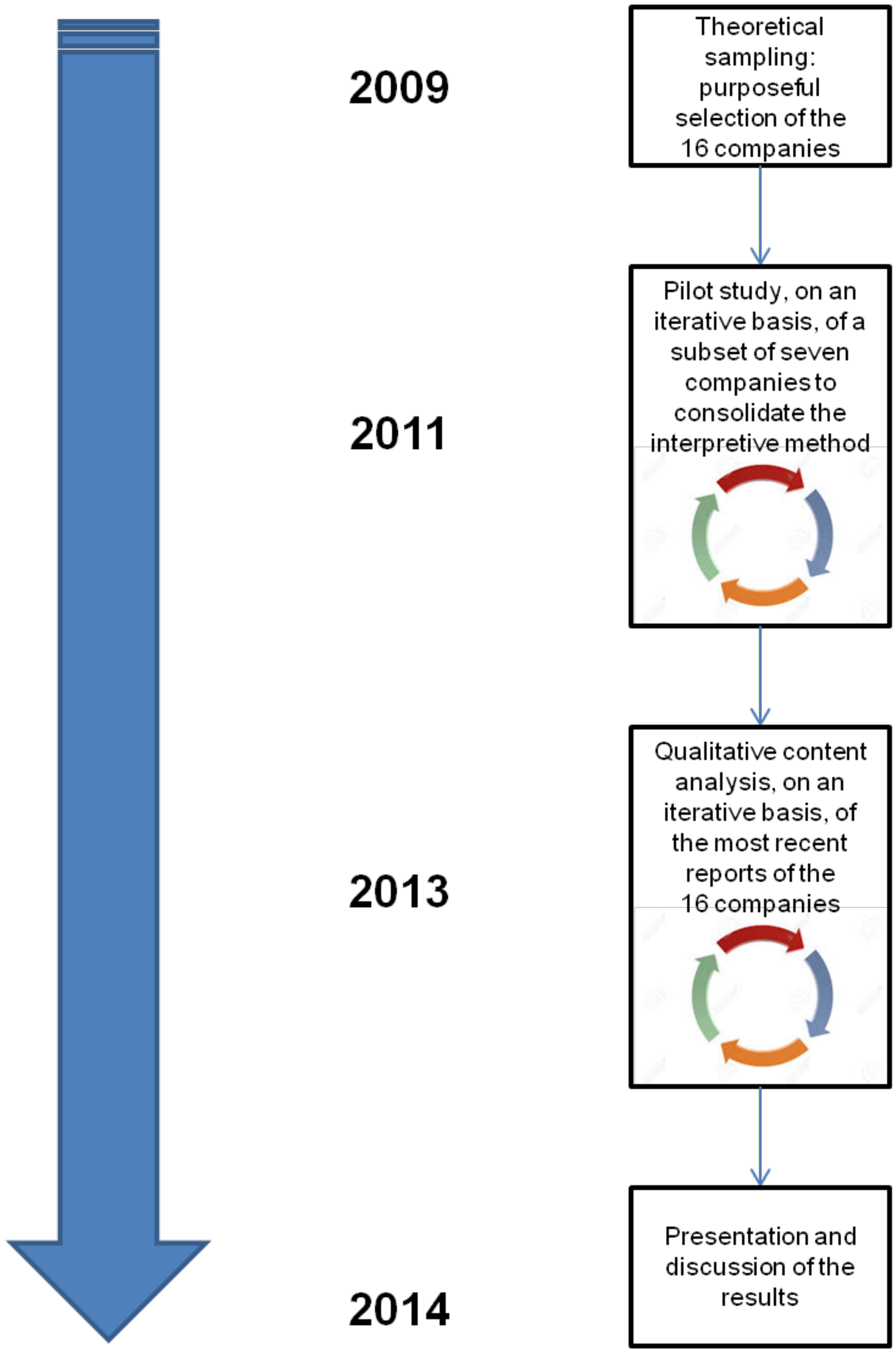
Furthermore (see figure 3.1), I identified the companies in 2009 and tracked their reporting activities over the years. In summer of 2011 a first analysis was performed on a sample of seven companies (Franzosi, 2004), and this allowed me to verify that the adopted approach worked and to consolidate the interpretive method. In order to avoid biases in the inquiry, the analysis of a corporate report and related documents (e.g., other corporate documents, pages of the firm's web site, and so on) was conducted on an iterative basis with an ongoing comparison with the results achieved in the study of the other companies. After this pilot study and a further gathering of materials useful for research purposes, in the summer and autumn of 2013 the most recent social/CSR/sustainability reports published by the selected firms were analyzed. Again, an iterative process of continual analysis, comparison, further review, and so on, according to a circular scheme, was conducted. The goal of the analysis was not to count words or sentences, but, in synchrony with the original research question, to check the quality (that is, clarity, completeness, understandability, effectiveness, and so on) of the reporting, that is, of the overall information provided[xxvi]. So, the entire work was quite labor intensive and time consuming (Franzosi, 2004): All in all, around 10,000 pages of reports in English, German, French, and Italian were examined and 1,680 observations were tracked.

For each company a specific report, including positive or negative evidence, comments, and reflections was drawn up, and a final concise judgment on the overall information quality was expressed.

As previously underlined, if the main focus of the analysis was on the social/CSR/sustainability reports, other information sources such as supplemental corporate documents, including the annual reports, or relevant sections of corporate web sites were examined in order to better interpret the quality of the information delivered by the firms. Therefore, triangulation of evidence was assured (Eisenhardt, 1989; Yin, 2003).

[xxvi] With regard to the topic of reporting/information quality, see, among others: AccountAbility (1999, 2008a); Global Reporting Initiative (2013b, pp. 16-18); International Integrated Reporting Council (2013b, pp. 21-23 and p. 25, paragraph 4.13); ISO (2010, sub-clause 7.5.2), and Sustainability Accounting Standards Board (2013c, pp. 11-12).

Figure 3.1 Content analysis: the process followed



The conclusions drawn and presented in the next chapter are based on and supported by the evidence collected.

In the last twelve months the research findings have been discussed with other scholars, corporate and NGO/CSO representatives in different circumstances, in order to gather reactions, comments, and fresh insights.

In more detail, on 23 September 2013, I discussed the first results with the CSR director and the CSR manager of Sofidel, one of the leading groups, worldwide, in the tissue sector[xxvii], during a one-day meeting at their headquarters located in Porcari, Lucca, Italy. The meeting was part of a research project undertaken between October 2011 and September 2014 within CReSV, the Bocconi Center for Research on Sustainability and Value, and aimed to provide strategic support to the firm in the CSR field. During the meeting we addressed the topics of environmental and sustainability accounting and reporting and the need for innovation in the corporate social responsibility policies beyond an emerging isomorphism[xxviii].

On 29 January 2014, I presented some of the results and implications of the research to the Commission for the Reform of Confindustria, the leading industrial association in Italy[xxix]. In the Commission, some of the most important Italian corporate

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[xxvii] See http://www.sofidel.it/eng/index.php.

[xxviii] See chapter 4, section 4.4, and chapter 5, section 5.2. See also chapter 6, sections 6.5, 6.6 and 6.7.

[xxix] See http://www.confindustria.it/wps/portal/EN/siteEN/About-us/!ut/p/a1/04_Sj9CPykssy0xPLMnMz0vMAfGjzOJ9PT1MDD0NjLws_ANdDRxNAiyDXUy8DdxNjIEKIoEKDHAARwNC-sP1o1CV-

representatives were involved[xxx]. On the basis of the consensus achieved, the CReSV Center and I were called to support the Commission in the elaboration of the new ethical policy of Confindustria. The previous ethical code was introduced in 1991. The new policy[xxxi] was approved on 19 June 2014[xxxii], and was based on an innovative stakeholder framework in accordance with the SERS[2] methodology[xxxiii].

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[xxx] See http://www.confindustria.it/wps/wcm/connect/www.confindustria.it5266/c9312f6d-31d6-46d3-9a3b-0669ca80d684/Commissione+Riforma+Confindustria+Documento+di+Attuazione.pdf?MOD=AJPERES.

[xxxi] See http://www.confindustria.it/wps/portal/IT/chisiamo/valori/Codice-etico/!ut/p/a1/04_Sj9CPykssy0xPLMnMz0vMAfGjzOJ9PT1MDD0NjLwMfEINDBwtjAODjCwCjUwCDIAKIpEVuEMUBFk6GzoZGXoHGFKm35JC_d4GxOk3wAEcCeoP149CVYIlBPAqsCSkAOQHsAI8jizIDQ0NjTDI9ExXVAQAunOO9w!!/dl5/d5/L2dBISEvZ0FBIS9nQSEh/.

[xxxii] See http://www.confindustria.it/wps/portal/IT/SalaStampa/Sala-Stampa/COMUNICATI-STAMPA/Dettaglio-Comunicati-Stampa/16249cf4-933d-484c-a898-52550181f3e5/16249cf4-933d-484c-a898-52550181f3e5/!ut/p/a1/3ZMxb4MwFIR_S-YK2cbGPI_EIMDEBZKiBC8RTYBSlSSqUH9_oaoqdUjDkqXeLH323TvdQwbtkDlVH11bDd35VL1Nd8P3Oo4YibGtQtcn2EvdIFaFwhBytEUGmUvV1rGPSsPzde3XUeQzmjOXqgyUZq7KJGgd8pT4XGsmUxGESic8Fr5HU8ZTIaXOErmKgsR-ApdGAVM5RuUSmfhhNWy8SaQazv0kQrjNxKFhlqD0aDFgB6sCAZZjOw4mQBpaO1-mDt1xJr2brO_xlePhWSH8QlbF-A7WQpKlTZIEfwN_SJSjB_eqCDC0mf7YSr3Pi2A90vcK_Y4535iR_IcZ1a2yjGWz37XU7bQ3w4vVnZoz2s3r6SxqK3_W5tL38Fo_O80m63sPqHNps0fLlNAuFp8a_5Xx/dl5/d5/L2dBISEvZ0FBIS9nQSEh/?pageID=Z6QReDeHHD43Q473JP8JM47JPC8MMG6O1D6MM4CO9EGJMK6I9DA3O46O9CCMPKCLHEK2T873HE4JQ0&atomID=16249cf4-933d-484c-a898-52550181f3e5.

[xxxiii] See chapter 5 and, in particular, section 5.3.

On 3 and 4 June 2014, I discussed the main findings and implications of the research with Emily Sims–senior specialist in the ILO Programme on Multinational Enterprises and Social Policy and manager of the ILO Helpdesk for Business, who, at that time, was at Università Bocconi, in Milan, for our course on 'CSR and Corporate Sustainability' within the master program in Green Management, Energy and Corporate Social Responsibility (MaGER)[xxxiv]. In particular, we talked about the increasing number of binding reporting requirements, rules, and guidelines affecting companies at the global level in the CSR field[xxxv] and the need for more targeted and supportive policies, especially with regard to SMEs[xxxvi].

On 9 May, 7 July, 7 and 28 November 2014, I presented and discussed the main results and implications of the research with some managers of Bracco, one of the most important pharmaceutical groups and family businesses in Italy[xxxvii]. Managers involved in the discussion included the corporate HR director of Bracco and the CEO of Bracco Imaging. On the basis of the positive reactions and the consensus achieved, the Research Division of SDA Bocconi School of Management and I were selected as technical partners to support Bracco in defining the corporate sustainability/integrated

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[xxxiv] See http://www.unibocconi.eu/wps/wcm/connect/Bocconi/SitoPubblico_EN/Navigation+Tree/Home/Programs/Master+Programs/MaGER/MaGER+-+Master+in+Green+Management,+Energy+and+Corporate+Social+Responsibility_Monzini+2011+03+23+08+41.

[xxxv] See chapter 2.

[xxxvi] See chapter 5. See also chapter 6, section 6.5 and 6.7.

[xxxvii] See http://corporate.bracco.com/gb-en.

report. The report will be developed according to the SERS[2] methodology[xxxviii] and presented during EXPO 2015[xxxix], which will be held in Milan, as an innovative Italian contribution to the global sustainability debate.

On 24 October 2014, I presented the paper ‘Current Trends and Practices in Non-Financial Reporting: A Brand New World or Much of the Old Water?’ based on the present research, at the Eighth TransAtlantic Business Ethics Conference (TABEC) held in the Mendoza College of Business at the University of Notre Dame, Indiana (USA). The Conference was entitled ‘Business Ethics and Creativity: Facing Globalization and Struggling with Sustainability’ and chaired by Georges Enderle, Ryan Professor of International Business Ethics; and Pat Murphy, Professor of Marketing[xl]. The paper received very positive feedback, and I was invited to contribute to a volume on ‘Ethical Innovation in Business and the Economy’ to be edited by Enderle and Murphy and published in the ‘Studies in TransAtlantic Business Ethics’ series by Edward Elgar.

Finally, during the research, I also exchanged ideas with other scholars, including David Crowther, De Montfort University[xli]; Giuseppe Bertoli, Università degli Studi di Brescia[xlii]; and Laszlo Zsolnai, Corvinus University[xliii].

[xxxviii] See chapter 5.

[xxxix] Diana Bracco, chairman and CEO of the Bracco Group, is also president of EXPO 2015 SpA: see http://corporate.bracco.com/gb-en/cv-dottoressa-diana-bracco.

[xl] See http://business.nd.edu/ethicsconference/. TABEC was established in 2000 as a biennial, invitational conference with the aim of bringing together leading European and North American scholars in order to explore innovative ideas and research. The author of the thesis was the only Italian representative.

[xli] http://www.davideacrowther.com/.

Reliability of the Analysis

The present content analysis also addresses the three types of reliability defined by Krippendorff (2004)[xliv]:

stability, which 'is measured as the degree that a coder reaches the same results while analyzing the data over time' (Aras and Crowther, 2009b, p. 91). The pilot study that preceded the main analysis and the iterative process adopted in the inquiry assured stability;

reproducibility, which 'measures the repeatability of the data by multiple coders' (Aras and Crowther, 2009b, p. 91). The in-depth description of the methodology and of the findings achieved[xlv] aims at assuring reproducibility;

accuracy, which 'measures the performance of coding against the performance of a method, that has been applied by experts and regarded as being correct' (Aras and Crowther, 2009b, p. 91). In order to assure accuracy, the coding approach presented in Perrini (2006), cited by numerous academic contributions, was used.

[xlii] http://www.unibs.it/dipartimenti/economia-aziendale/personale-del-dipartimento/professori-ordinari/prof-bertoli-giuseppe.

[xliii] http://laszlo-zsolnai.net/.

[xliv] See also, on this topic, Teodori and Veneziani (2013, pp. 33-35).

[xlv] Findings are presented in chapter 4.

3.4 Concluding Comments

In this chapter the ontological, epistemological, axiological, and methodological bases of a study regarding the social/CSR/sustainability reporting of a sample of sixteen purposefully selected companies are detailed.

In order to frame the inquiry, I considered the relevant literature regarding the content analysis of the corporate practices in the social/environmental/sustainability accounting and reporting field (see, in particular: Amran *et al*., 2014; Aras and Crowther, 2009a, 2009b; Bennet and James, 1999; Campopiano and De Massis, 2014; Chan *et al*., 2013; Chen and Bouvain, 2009; Epstein *et al*., 1976; Hackston and Milne, 1996; Kolk, 1999, 2000, 2003, 2008; Livesey and Kearins, 2002; Milne and Adler, 1999; Perrini, 2006; Preston, 1981; Tregidga and Milne, 2006; Tregidga *et al*., 2014; Unerman, 2000; Vurro and Perrini, 2011).

In order to understand the current corporate approaches to sustainability evaluation and reporting and whether firms are able to address stakeholder expectations via reporting in an explicit, clear, and complete way – and to provide an innovative contribution to the existing literature – I decided to adopt an interpretive perspective.

Through theoretical sampling, I purposefully selected sixteen companies at the forefront of the sustainability challenge: 'leaders' from different sectors and different countries, which, because of their profiles and activities, can provide a global and comprehensive picture.

The most recent social/CSR/sustainability reports (considered as the core of the information system to evaluate the corporate sustainability performance and support the firm-stakeholder dialogue) published by these firms and available to the public on corporate web sites (together with other connected documents) have been scrutinized through a qualitative content analysis to assess the quality of the reporting/the quality of the information provided.

The recording instrument, based on a set of KPIs and organized according to a stakeholder framework, was a tool used not to count words or sentences but mainly to address the following questions:

- Are the different pieces of information (that is, the indicators) available?
- Are the different stakeholder groups covered?
- What is the quality (that is, clarity, completeness, understandability, effectiveness, and so on) of the information delivered by the firms through their reporting activities?

The final outcome of this effort is an up-to-date assessment of the corporate approaches in the sustainability evaluation and reporting field.

Therefore, in comparison with previous contributions in this area, the present work is characterized by the following:

- the depth (that is, the number of items checked for every company);
- the breadth (the number of stakeholders and documents/information sources covered); and,
- the attempt to overcome simplistic assumptions[xlvi] in favor of a more interpretive approach truly capable of capturing the essence of corporate reporting activities.

[xlvi] With regard to this point, consider, for example: Amran *et al*. (2014, pp. 224-225); KPMG (20013).

In the following chapter, the findings of the analysis conducted through the recording instrument are presented in the comprehensive Report Assessment Matrix.

After that, on the basis of the gathered data, the specific corporate profiles – that is, a concise description and assessment of the reporting activities of every examined firm – are detailed.

Finally, some conclusive reflections are drawn.

In order to address the ‘relevance gap’ (Aram and Salipante, 2003; Saunders *et al*., 2009, p. 123), results and related reflections and what emerges from the review of the management tools conducted in the previous chapter are at the basis of a proposal on corporate sustainability accounting and reporting that is advanced in the fifth chapter.

Chapter 4

Analysis of the Current Practices in the Corporate Sustainability Evaluation and Reporting Field: Results

4.1 Introduction

In this chapter the findings of the qualitative content analysis, previously described from the ontological, epistemological, axiological, and methodological standpoints[i], are presented.

In the first section, the data gathered through the recording instrument, based on a set of KPIs organized according to a stakeholder framework, are shown.

After that, the specific corporate profiles are detailed.

Finally, a set of reflections emerging from the analysis are advanced.

4.2 Results: The Report Assessment Matrix

As previously underlined[ii], the analysis of the social/CSR/sustainability reports, published by the firms and made available through their corporate web sites, was carried out using a recording instrument with mainly yes/no answers to standardize data

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[i] See chapter 3, sections 3.2 and 3.3.

[ii] See chapter 3, section 3.3.

collecting (Perrini, 2006, p. 80). The recording instrument was based on a set of key performance indicators (KPIs) organized according to a stakeholder framework. The KPIs are those developed during the CSR-SC Project[iii] and detailed in the Appendix.

The stakeholder groups considered in the analysis are the following eight:

- Human Resources;
- Shareholders/Members and Financial Community;
- Customers;
- Suppliers;
- Financial Partners;
- State, Local Authorities and Public Administration;
- Community;
- Environment.

The results collected through the recording instrument are presented in the Report Assessment Matrix (see table 4.1). The 'crossed' cell means that this specific

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[iii] See chapter 2, paragraph 2.4.6. In more detail, the Corporate Social Responsibility-Social Commitment (CSR-SC) Project was launched and carried out between 2002 and 2006 by the Italian Ministry of Labor and Social Affairs; Università Bocconi was a technical partner of the initiative (Perrini *et al.*, 2006; Perrini and Tencati, 2008; Tencati *et al.*, 2004). Within the Project, a set of performance indicators and a system of guidelines were developed in order to support companies, and especially small and medium-sized enterprises, in the self-assessment of their own social performance and in their reporting activities.

The indicators, described in the Appendix, were also defined by means of a broad stakeholder engagement and, in particular, through the contribution provided by the Italian CSR Multi-Stakeholder Forum (i.e., the CSR Forum), which operated in 2004-2005.

information is present in the corporate report; the empty cell means that the specific information is not included in the corporate report.

The Report Assessment Matrix provides a first map of the findings, which are then completed by the specific corporate profiles, included in the next section.

Table 4.1 The Report Assessment Matrix

Caption: n.a. = not applicable

			Adopted Approach		KPIs												
					Stakeholder Categories												
					1. Human Resources												
					1.1. Staff Composition							*1.2. Turnover*			*1.3. Equal Opportunity*		
			Triple Bottom Line (TBL)	Stakeholder Framework	1.1.1. Category	1.1.2. Age	1.1.3. Seniority in grade	1.1.4 Geographic Origin	1.1.5. Nationality	1.1.6. Contract Type	1.1.7. Level of Education	1.2.1. Employment Policies	1.2.2. Permanent Employees and Non-Permanent Employees	1.2.3. Employment Termination (by kind)	1.3.1. Gender Ratio (managerial staff and executives)	1.3.2. Salary by Gender (also by category and seniority in grade)	1.3.3. Policy for People with Disabilities and Minorities in General
Companies	**Banks**	The Co-operative Banking Group (UK)	X	X								X			X		X
		Credit Suisse (Switzerland)	X	X		X			X	X		X		X	X		X
		Intesa Sanpaolo (Italy)	X	X	X	X	X		X	X	X	X	X	X	X	X	X
		UniCredit (Italy)	X	X	X	X	X		X		X		X	X	X	X	X
	Retailing	Coop (Italy)	X	X		X	X			X		X	X		X		X
		Marks & Spencer (UK)	X	X		X	X		X			X			X		X
		Migros (Switzerland)	X	X		X	X		X	X		X			X		
		Walmart (USA)	X	X					X			X			X		X
	Telecom	BT (UK)	X	X		X			X			X		X	X		X
		Deutsche Telekom (Germany)	X	X	X	X				X		X		X	X	X	X
		Telecom Italia (Italy)	X	X	X	X			X	X	X	X		X	X		X
		Vodafone (UK)	X	X										X	X		X
	Utilities	Enel (Italy)	X	X	X	X	X		X		X	X	X	X	X	X	X
		Hera (Italy)	X	X	X	X				X	X	X	X	X	X	X	X
		RWE (Germany)	X	X	X	X	X		X			X	X	X	X		X
		Veolia Environnement (France)	X	X	X	X						X	X	X	X	X	X

			KPIs													
			Stakeholder Categories													
			1. Human Resources													
			1.4. Training				*1.6. Schemes of Wages*			*1.7. Absence from Work*			*1.9. Industrial Relations*			
			1.4.1. Training Projects (by kind)	1.4.2. Training Hours by Category (net of contractual or legal training hours)	1.4.3. Internships	*1.5. Working Hours by Category*	1.6.1. Average Gross Wages	1.6.2. Career Paths	1.6.3. Incentive Systems	1.7.1. Days of Absence	1.7.2. Causes	*1.8. Employee Benefits*	1.9.1. Compliance with the Rights of Free Association and Collective Bargaining	1.9.2. Percentage of Trade Union Members among Employees	1.9.3. Other Considerations (hours of strike, employee participation in the corporate governance, and so on)	*1.10. In-House Com-muni-cations*
Companies	**Banks**	The Co-operative Banking Group (UK)	X		X				X			X	X			
		Credit Suisse (Switzerland)	X	X	X			X	X			X	X		X	X
		Intesa Sanpaolo (Italy)	X	X	X		X	X	X	X	X	X	X	X	X	X
		UniCredit (Italy)	X	X				X	X	X	X	X	X		X	X
	Retailing	Coop (Italy)	X	X	X			X				X	X			X
		Marks & Spencer (UK)			X				X			X				X
		Migros (Switzerland)	X	X	X			X		X	X	X	X		X	
		Walmart (USA)	X		X			X	X			X			X	X
	Telecom	BT (UK)	X	X	X			X		X	X	X	X	X	X	X
		Deutsche Telekom (Germany)	X	X	X		X	X	X			X	X			X
		Telecom Italia (Italy)	X	X	X			X	X			X	X		X	X
		Vodafone (UK)	X					X	X			X				X
	Utilities	Enel (Italy)	X	X	X			X	X	X	X	X	X	X	X	X
		Hera (Italy)	X	X	X	X	X	X	X	X	X	X	X	X	X	X
		RWE (Germany)	X	X	X			X	X			X	X		X	X
		Veolia Environnement (France)	X	X	X	X	X	X	X	X	X	X	X		X	X

			KPIs													
			Stakeholder Categories													
			1. Human Resources							**2. Shareholders/Members and Financial Community**						
			1.11. Occupational Health and Safety		*1.12. Employee Satisfaction*		*1.13. Protection of Workers' Rights*		*1.14. Discipli-nary Measures and Litigations*	*2.1 Capital Stock Formation*		*2.2. Shareholders'/Members' Remuneration (share indicators and ratios)*				*2.3. Stock Price Fluctua-tion*
			1.11.1. Injuries and Diseases	1.11.2. Projects	1.12.1. In-House Employee Satisfaction Surveys	1.12.2. Projects	1.13.1. Child Labor	1.13.2. Forced Labor		2.1.1. Number of Shareholders by Share Type	2.1.2. Segmentation of Shareholders by Category	2.2.1. Earnings per Share	2.2.2. Dividends	2.2.3. Price/Earnings per Share	2.2.4. Others (e.g., allowance, contributions to mutual funds)	
Companies	**Banks**	The Co-operative Banking Group (UK)	X	X									X	n.a.		n.a.
		Credit Suisse (Switzerland)			X	X	X	X		X		X	X		n.a.	X
		Intesa Sanpaolo (Italy)	X	X	X	X	X	X	X				X		n.a.	X
		UniCredit (Italy)	X	X	X	X	X	X	X		X		X		n.a.	X
	Retailing	Coop (Italy)	X	X			n.a	n.a.		X	X		n.a.	n.a.	X	n.a.
		Marks & Spencer (UK)	X	X	X	X									n.a.	
		Migros (Switzerland)	X	X			n.a.	n.a.		X			n.a.	n.a.		n.a.
		Walmart (USA)	X	X	X	X									n.a.	
	Telecom	BT (UK)	X	X	X	X	X	X	X				X		n.a.	
		Deutsche Telekom (Germany)	X	X	X	X					X		X		n.a.	
		Telecom Italia (Italy)	X	X	X	X	X	X		X	X		X		n.a.	
		Vodafone (UK)	X	X	X	X	X	X							n.a.	
	Utilities	Enel (Italy)	X	X	X	X	X	X	X		X	X	X		n.a.	X
		Hera (Italy)	X	X	X	X	n.a.	n.a.	X	X	X	X	X	X	n.a.	X
		RWE (Germany)	X	X		X	X	X				X	X		n.a.	
		Veolia Environnement (France)	X	X			X	X			X				n.a.	

			KPIs														
			Stakeholder Categories														
			2. Shareholders/Members and Financial Community													**3. Customers**	
			2.4. Rating	*2.5. Shareholders' Participation in the Corporate Governance and Protection of the Minorities*				*2.6. Benefits and Services for Share-holders*	*2.7. Investor Relations*						*3.1. General Characteristics*	
				2.5.1. Existence of Independent Directors inside the Board of Directors (BoD)	2.5.2. Existence of Minority Shareholders inside the Board of Directors	2.5.3. Occurrence of Board of Directors' Meetings and Structure of the BoD	2.5.4. Others (e.g., compliance with self-regulatory measures)		2.7.1. Communication and Reporting Activities	2.7.2. Institutional Presentations and Documents	2.7.3. Road Shows	2.7.4. One-to-One Meetings	2.7.5. Communications on the Internet	2.7.6. Others (e.g., open days)	3.1.1. Division of Customers by Category	3.1.2. Division of Customers by Kind of Offer
Companies	**Banks**	The Co-operative Banking Group (UK)	X			X	X	X			n.a.	n.a.				
		Credit Suisse (Switzerland)	X			X	X		X				X		X	X
		Intesa Sanpaolo (Italy)	X	X		X	X		X	X	X	X	X		X	X
		UniCredit (Italy)	X	X		X	X		X	X	X	X	X		X	X
	Retailing	Coop (Italy)	n.a.			X	X	X	X	X	n.a.	n.a.	X	X		X
		Marks & Spencer (UK)							X							
		Migros (Switzerland)	n.a.	X		X	X				n.a.	n.a.				X
		Walmart (USA)		X		X	X									
	Telecom	BT (UK)	X												X	
		Deutsche Telekom (Germany)	X													
		Telecom Italia (Italy)	X	X	X	X	X		X	X	X	X	X	X	X	X
		Vodafone (UK)	X								X	X	X		X	
	Utilities	Enel (Italy)	X	X	X	X	X		X		X	X			X	X
		Hera (Italy)	X	X	X	X	X		X	X	X	X	X	X		X
		RWE (Germany)	X												X	X
		Veolia Environnement (France)	X	X		X	X									

			KPIs – Stakeholder Categories – 3. Customers – *3.2. Market Development* – 3.2.1. New Customers	*3.2. Market Development* – 3.2.2. New Products/Services	*3.3. Customer Satisfaction and Customer Loyalty* – 3.3.1. Customer Satisfaction Initiatives (research, measurement, call center, and queries)	*3.3. Customer Satisfaction and Customer Loyalty* – 3.3.2. Customer Loyalty Initiatives	*3.4. Product/ Service Information and Labeling (safety, Life Cycle Assessment, voluntary initiatives)*	*3.5. Ethical and Environmentally Friendly Product and Services (e.g., public utility)*	*3.6. Promotional Policies (e.g., adherence to code of conduct)*	*3.7. Privacy*	4. Suppliers – *4.1. Supplier Management Policy* – 4.1. Division of Suppliers by Category	*4.1. Supplier Management Policy* – 4.1.2. Supplier Selection	*4.1. Supplier Management Policy* – 4.1.3. Communication, Awareness Creation and Information	*4.2. Contractual Terms*	5. Financial Partners – *5.1. Relations with Banks*	*5.2. Relations with Insurance Companies*
Companies	**Banks**	The Co-operative Banking Group (UK)		X	X	X	X	X	X			X	X		X	X
Companies	**Banks**	Credit Suisse (Switzerland)	X	X	X		X	X	X	X	X	X	X		X	
Companies	**Banks**	Intesa Sanpaolo (Italy)	X	X	X		X	X	X	X	X	X	X		X	
Companies	**Banks**	UniCredit (Italy)	X	X	X		X	X	X		X	X			X	
Companies	**Retailing**	Coop (Italy)		X	X		X	X	X		X	X	X			
Companies	**Retailing**	Marks & Spencer (UK)		X		X	X	X	X		X	X	X			
Companies	**Retailing**	Migros (Switzerland)		X	X	X	X	X			X	X	X			
Companies	**Retailing**	Walmart (USA)		X	X		X	X	X		X	X	X			
Companies	**Telecom**	BT (UK)		X	X		X	X		X	X	X	X			
Companies	**Telecom**	Deutsche Telekom (Germany)		X	X		X	X	X	X	X	X	X			
Companies	**Telecom**	Telecom Italia (Italy)	X	X	X		X	X	X	X	X	X	X			
Companies	**Telecom**	Vodafone (UK)	X	X			X	X		X		X	X			
Companies	**Utilities**	Enel (Italy)	X	X	X		X	X	X	X	X	X	X			
Companies	**Utilities**	Hera (Italy)	X	X	X		X	X		X	X	X	X	X	X	
Companies	**Utilities**	RWE (Germany)		X	X	X	X	X			X	X	X			
Companies	**Utilities**	Veolia Environnement (France)		X				X				X	X			

			KPIs													
			Stakeholder Categories													
			5. Financial Partners	**6. State, Local Authorities and Public Administration**					**7. Community**							
						6.3. Codes of Conduct and Rules for Compliance with Laws				*7.2. Direct Contributions in the Fields of Action*						
			5.3. Relations with Financial Institutions (e.g., leasing companies	*6.1. Taxes and Duties*	*6.2. Relations with Public Institutions (Corporate Contribution to the Public Governance)*	6.3.1.Codes of Conduct and Rules for Compliance with Laws and Internal Auditing Systems	6.3.2. Conformity Verifications and Inspections	*6.4. Contributions, Benefits or Easy-Term Financing*	*7.1. Corporate Giving*	7.2.1. Education and Training	7.2.2. Culture	7.2.3. Sport	7.2.4. Research and Innovation	7.2.5. Social Solidarity (including international solidarity too)	7.2.6. Others (volunteering, community daycare, and so on)	*7.3. Communications and Engagement of the Community (Stakeholder Engagement)*
Companies	**Banks**	The Co-operative Banking Group (UK)		X	X	X			X	X	X	X		X	X	X
		Credit Suisse (Switzerland)		X	X	X			X	X	X	X	X	X	X	X
		Intesa Sanpaolo (Italy)		X	X	X	X	X	X	X	X	X	X	X	X	X
		UniCredit (Italy)		X	X	X	X	X	X	X	X	X	X	X	X	X
	Retailing	Coop (Italy)			X	X			X	X	X	X	X	X	X	X
		Marks & Spencer (UK)			X	X	X		X	X			X	X	X	
		Migros (Switzerland)		X	X	X			X	X	X	X	X	X	X	X
		Walmart (USA)			X	X	X		X	X	X	X	X	X	X	X
	Telecom	BT (UK)		X	X	X	X		X	X			X	X	X	X
		Deutsche Telekom (Germany)		X	X	X	X		X	X	X	X	X	X	X	X
		Telecom Italia (Italy)		X	X	X			X	X	X		X	X	X	X
		Vodafone (UK)		X	X	X	X	X	X	X			X	X		X
	Utilities	Enel (Italy)		X	X	X	X	X	X	X	X	X	X	X		X
		Hera (Italy)		X	X	X	X		X	X	X	X	X	X	X	X
		RWE (Germany)		X	X	X	X		X	X	X	X	X	X	X	X
		Veolia Environnement (France)			X	X			X	X	X	X	X	X	X	X

			KPIs												Additional Information	
			Stakeholder Categories													
			7. Community					8. Environment								
			7.4. Relations with the Media	*7.5. Virtual Community*			*7.6. Corruption Prevention*	*8..1. Energy and Materials Consumption and Emissions*						*8.2. Environmental Strategy and Community Relations*	Inclusion of the Organization in an Ethical Index	GRI Guidelines + related sector supplements (for example, electric utilities, financial services, and so on)
				7.5.1. Contacts (characteristics and analysis)	7.5.2. Security	7.5.3. Relationship Management Systems		8.1.1. Energy Consumption	8.1.2. Water Consumption	8.1.3. Raw Materials, Maintenance, Repair and Operations (MRO), and Packaging	8.1.4. Air Emissions	8.1.5. Water Emissions	8.1.6. Waste Management			
Companies	**Banks**	The Co-operative Banking Group (UK)				X		X	X	X	X		X	X	Not listed	A+
		Credit Suisse (Switzerland)	X			X	X	X	X	X	X		X	X	X	A+
		Intesa Sanpaolo (Italy)	X			X	X	X	X	X	X		X	X	X	A+
		UniCredit (Italy)						X	X		X		X	X	X	A+
	Retailing	Coop (Italy)	X	X		X		X	X	X	X	X	X	X	Not listed	
		Marks & Spencer (UK)				X		X	X	X	X		X	X	No mention	B
		Migros (Switzerland)		X		X		X	X	X	X		X	X	Not listed	B
		Walmart (USA)					X	X	X	X	X		X	X	No mention	B
	Telecom	BT (UK)				X	X	X	X		X		X	X	X	A
		Deutsche Telekom (Germany)				X	X	X	X		X		X	X	X	A+
		Telecom Italia (Italy)	X	X		X	X	X	X	X	X		X	X	X	A+
		Vodafone (UK)						X	X		X		X	X	X	X
	Utilities	Enel (Italy)					X	X	X	X	X	X	X	X	X	A+
		Hera (Italy)	X	X		X		X	X	X	X	X	X	X	X	A+
		RWE (Germany)				X	X	X	X	X	X	X	X	X	X	A+
		Veolia Environnement (France)					X	X	X	X	X	X	X	X	X	

			Additional Information			
			Independent Assurance Report	Global Compact	AA1000	Other standards (to be specified)
Companies	Banks	The Co-operative Banking Group (UK)	X		X	LBG for Community Investments
		Credit Suisse (Switzerland)	X	X		
		Intesa Sanpaolo (Italy)	X	X	X	CSR-SC (not declared)
		UniCredit (Italy)	X	X		LBG for Community Investments and CSR-SC (not declared)
	Retailing	Coop (Italy)				ISO 26000 (p. 3 and p. p.9, Introduction)
		Marks & Spencer (UK)	X		X	DEFRA/DECC's May 2012 Greenhouse Gas Reporting Guidance; DEFRA environmental reporting guidelines for UK businesses; PAS 2060 (pp. 46-47)
		Migros (Switzerland)		X		
		Walmart (USA)				
	Telecom	BT (UK)	X	X	X	LBG for community investments (see p. 16)
		Deutsche Telekom (Germany)	X	X	X	EFFAS KPIs; German Sustainability Code
		Telecom Italia (Italy)	X	X	X	LBG for Community Investments
		Vodafone (UK)	X			
	Utilities	Enel (Italy)	X	X	X	CSR-SC (not declared), the environmental accounting system developed in the '90s (Tencati, 2002a; De Silvio and Tencati, 2002), and LBG for community investments
		Hera (Italy)	X	X	X	GBS and CSR-SC (not declared)
		RWE (Germany)	X	X	X	
		Veolia Environnement (France)	X	X		French disclosure requirements related to corporate social responsibility (2001-2002 and Grenelle 2 implementation, 2012, effective for listed companies in the financial years started after 31 December 2011)

			Additional Information	
			Name of the Report	If the Report is not an integrated one, existence also of an Integrated Report
Companies	Banks	The Co-operative Banking Group (UK)	Sustainability Report	No: Annual Report with limited information on social goals
		Credit Suisse (Switzerland)	Corporate Responsibility Report	No: in the Annual Report very short references to the Corporate Responsibility Report at p. 2, p. 12, p. 147
		Intesa Sanpaolo (Italy)	Sustainability Report	No: Annual Report with a set of information on sustainability
		UniCredit (Italy)	Sustainability Report	No
	Retailing	Coop (Italy)	Social Report	No: Annual Reports with limited information on sustainability and, in some cases, Sustainability/Social Reports issued by the territorial cooperatives (see, for example, the experience provided by Coop Adriatica)
		Marks & Spencer (UK)	Plan A Report	No: Annual Report with limited information on Plan A: three categories and four KPIs (see pp. 12-13; see also pp. 10-11 and pp. 32-33)
		Migros (Switzerland)	Sustainability Reporting	Yes: Migros' Sustainability Reporting is part of the Annual Report available only online (http://m12.migros.ch)
		Walmart (USA)	Global Responsibility Report	No: there is an Annual Report with a very small set of information on Global Responsibility (see p. 11)
	Telecom	BT (UK)	Better Future Report	No: Annual Report with a limited set of seven KPIs (see p. 61; see also p.16 and p. 73)
		Deutsche Telekom (Germany)	Corporate Responsibility Report	No: Annual Report with limited information on CSR
		Telecom Italia (Italy)	Sustainability Report	No: Annual Report with a set of information on sustainability
		Vodafone (UK)	Sustainability Report	No: Annual Report with some information on the corporate sustainability profile (see pp. 34-39)
	Utilities	Enel (Italy)	Sustainability Report	No: some pages on sustainability in the traditional Annual Report
		Hera (Italy)	Sustainability Report	No
		RWE (Germany)	Our Responsibility Report (Corporate Responsibility − CR − Report)	Annual Report with a limited set of information on sustainability (pp. 118-125)
		Veolia Environnement (France)	CSR Performance Digest	Yes (Annual and Sustainability Report) but very limited in terms of contents

4.3 Findings and Discussion: Reporting Profiles of the Analyzed Companies

In order to complement and integrate what has been presented in the Report Assessment Matrix, the specific corporate profiles, which are a concise description and assessment of the reporting activities of every analyzed firm, are drawn[iv].

4.3.1 Banks

The Co-operative Banking Group

What is available is the *Sustainability Report 2012* by The Co-operative Group. In that Report, pages and sections devoted to The Co-operative Banking Group are the following: Cover B, p.1, p.2, p.3, p.4, p. 5, p. 6, p. 7, p. 9, p. 10, p. 11, p.12, p. 16, p. 17, p. 20, p. 24, ‘Social responsibility: Responsible banking and finance’ - pp. 30-35, p. 36, p. 37, p. 38, p. 39, p. 40, p. 41, p. 42, p. 45, p. 48, p. 50, p. 52, p. 53, p. 54, p. 55, p. 57, p. 60, p. 63, p. 65, p. 68, p. 69, p. 71, p. 72, p. 75, p. 77, p. 81, p. 83, p. 84, p. 85, p. 86, p. 87, p. 88, p. 89, p. 90, p. 91, p. 92, p. 94, p. 95, p. 97, p. 98, p. 100, p. 102, p. 103, p. 104, p. 105, p. 106, p. 107, p. 108, p. 109, p. 111, p. 112, p. 113. In the printed document, there are references to the online Sustainability Report and related materials, and other documents such as the Annual Report and Accounts (p. 84). Innovative policies are reported with regard to the relationships with customers (‘Banking and

[iv] A complete list of the documents examined is included in a devoted section of the References.

finance declines, 2012’: p. 17, p. 24, p. 31, p. 52, p. 55, p. 68, p. 72). Also animal welfare issues are covered (p. 20). Several awards and recognitions have been achieved (e.g., p. 4, p. 20, p. 30, p. 31,p. 39, p. 43, pp. 48-49, p. 51, p. 53, p. 86, p. 89, p. 91, p. 92, p. 101, p. 104). In general, I have to record information redundancy throughout the entire Report with regard to, for example, awards, or the Ethical Policy. In any case, the main problem is that this Report is too generic and more detailed and focused information would be needed in order to map and monitor the corporate performance of the Co-operative Banking Group. Stakeholder groups explicitly included are as follows: members; customers; employees; suppliers; animals and the natural environment; government(s); the co-operative movement; community(ies), and providers of capital.

Credit Suisse

With regard to the stakeholders, five primary categories (in four sections, plus one on dialogue and transparency, that is, stakeholder engagement) have been identified: clients; investors; society; employees, and the environment (see also the Stakeholder Map on p. 53 of the *Corporate Responsibility Report*). In general, data are located in many different documents (e.g., Corporate Responsibility Report, Responsibility Chronicle, Annual Report, Company Profile 2012, and Statement on Sustainability, plus the Internet). The current approach is too descriptive and redundant: a more concise and effective reporting is needed. Equator Principles are applied in project financing.

Intesa Sanpaolo

The stakeholders mapped in the *Sustainability Report* are the following: customers; employees; shareholders; suppliers; environment, and community. Much information is available in the Report but is not well organized and structured. More specifically, there are potential duplications (e.g., p. 98: 'Public administration for socially useful purposes' is also covered on p. 81, Italian and English edition of the Report); more talking than deeds (e.g., supplier selection, community, customers); information not appropriately located (Baca Prossima, included in the 'Community' section, sells a specific kind of product and should be positioned in the 'Customers' one), and many links to different sections and pages of the corporate web site. Maybe to address these problems, Intesa Sanpaolo also issued a specific document devoted to shareholders called *The Value of Sustainability* in April 2013: 'This booklet presents a summary of the projects and initiatives carried out by Intesa Sanpaolo with the aim of creating company value and of responding to the demands of stakeholders...' (Cover B). Equator Principles are applied in project financing.

UniCredit

In the *Sustainability Report* there are many references to the web site, via the QR codes, and to other publications (see pp. 82-85, Italian edition of the Report). Stakeholders identified are as follows: colleagues; customers (individuals and families, and companies); investors; communities, and environment and suppliers. For many topics, especially in the *2012 Sustainability Report - Supplement*, self-referenced information is provided that is not sufficiently understandable to an external audience. In the Sustainability Report, the real question – how to address the requests coming from the territory(ies) – is only partially addressed. As usual, I found redundancy and duplication in the information: see, for example, text, data and figures/charts on pp. 60-61−'Sosteniamo i Territori' (Supporting the Territories)−of the Italian edition of the Sustainability Report. Equator Principles are applied in project financing.

4.3.2 Retailing

Coop

The *Ninth Social Report 2012* of the Coop system is the second one, after that which was issued in 2012 and focused on its 2011 performance, framed around the point of sale as the crucial pivot of corporate activities, according to an innovative accounting and reporting methodology. Stakeholders identified are the following: members; employees; the environment; suppliers; consumers, and communities. I have pointed out possible redundancy and duplications in the information provided (e.g., services for members and consumers are presented twice, in Section 1, p. 11, and in Section 5, p. 11) and without much transparency/disclosure in the corporate governance mechanisms (e.g., composition of the Boards of Directors) and in the relationships with suppliers (contractual terms) and with the State (tax paying).

Marks & Spencer

In the *Plan A Report* there are references to the specific web site − marksandspencer.com/plana2013 −, the corporate web site, and the Annual Report. A lot of awards and recognitions (see p. 2, p. 51, and so on) have been achieved. The Report is characterized by information redundancy and repetitions (see, for example: 'Cheshire Oaks, M&S biggest greenest store' on p. 5, p. 8, p. 9, p. 24, p. 26; 'Marks & Start'; 'Shwopping', and so on). Five stakeholder groups are identified: customers; employees; partners (franchises); suppliers, and local communities (p.41). On p. 44 another stakeholder list is presented: customers; employees; shareholders; suppliers; government and regulators, and nongovernmental organizations. Furthermore, there is a very strategic reflection upon collaboration on p. 43: '[T]rue leadership comes through collaboration with other companies and stakeholders….' However, the approach adopted by the firm in the Report raises some questions. In particular, this is a Plan A Report, not a sustainability one. So, what is the real degree of sustainability of the firm? For example, how are the employee policies carried out? Are the employees really satisfied? In the Report it seems that they provide answers only with regard to the implementation of Plan A (see p. 44). In these terms, Plan A seems to be an add-on strategy (again, see p. 44 and, particularly, comments on shareholders). There are other questionable issues: methodological notes should be placed at the beginning of the Report (see p. 46); more embeddedness into the local communities (see p. 45) is required; because of the external assurance, GRI application level B should be B+; the limits (borders/scope) of the Report (e.g., with regard to international operations: see p. 46 and p. 49) should be reconsidered.

Migros

The *Migros Sustainability Reporting* is part of the Annual Report available only online: so, it is possible to find several references to web sites and web pages. The identified stakeholders are the following: customers; employees; suppliers; cooperative members, and society (see p. 41, Italian edition, and p. 25, English edition). The Report is a very interesting and innovative but fragmented attempt with a lot of information located in many different places, especially sections of the web site. With regard to this point, in the GRI Content Index the following statement is written (p. 2/40, Annual Report, English edition, and p. 2/56, Italian edition): 'The Migros Annual Report (Sustainability Report) primarily addresses professionals (persons responsible for sustainability, the media, social partners, authorities or NGOs). The interests of the customers and of the population as a whole are covered in an annual "Sustainability" supplement of the weekly customer magazine "Migros Magazin"'. It is interesting to underline that in general the Report does not make a clear distinction between customers and members.

The four editions of the Report (that is, German, French, Italian and English) are different in length and contents: the analysis covered all of them.

Walmart

Two documents were mainly considered for research purposes: *2013 Global Responsibility Report* and *2013 Global Responsibility Report Executive Summary*. Stakeholders identified are as follows: associates; customers; NGOs; shareholders, and suppliers. The Report is interesting but it is mainly based on specific examples/cases (see pp. 94-151). There are several references to web pages/other sources, including the Annual Report. The Report is characterized by redundancy and overstatements in information delivery. An overall, systematized and in-depth picture of the Group is missing. The Global Audit Results are really valuable (see pp. 40-41) but they could need a more in-depth explanation. This Report is not externally assured (p. 163).

4.3.3 Telecommunications

BT

Two main documents were examined: *Better Future Report* and *Highlights*. The identified stakeholders are the following: employees; customers; suppliers; governments, and communities. In the Report references to online material/pages and the Annual Report are provided. Furthermore, redundancy and duplications of information (see, for example, investment in society, p. 15) characterize the document. Again, as in the case of the Plan A by M&S, the Report is more focused on the implementation of the Better Future program than on corporate sustainability. Consider, for example, the degree of involvement/satisfaction of the employees (see: pp. 8-9 and pp. 117-119). In any case, the Report provided by BT is too long and descriptive. Because of that it is not so effective in terms of communication impact, reporting, and accountability.

Deutsche Telekom

The *Corporate Responsibility Report* is characterized by a German-style approach[v]: consider, for example, the quantification of the net value added, generated and distributed (EC1 GRI: p. 231). Five stakeholder categories are identified: customers; society; employees; suppliers, and climate & environment. The document is redundant (that is, the same information is contained in more than one section: e.g., the financial one) and descriptive, with a lot of specific, nation-based cases. The final use of indicators (pp. 226-272) is interesting, but quantified objectives should be introduced just from 2013: see p. 29. The future is represented by integrated reporting (p. 19).

[v] See, on this topic and on the *Sozialbilanz-Praxis* experience, Tencati (2002a, pp. 101-102).

Several references to other documents such as the 2012 Annual Report (p. 9), the Human Resources Report (p. 266), and so on.

Telecom Italia

The stakeholders identified in the *Sustainability Report* are organized into two groups: external ones (customers, suppliers, the environment, the community); and internal ones (human resources and shareholders). Also, the providers of capital are mapped: see pp. 32-33 of the Italian edition of the Report. Furthermore, '[i]n the projects they implement with Communities, the Group companies interact with:

- civil society: all citizens and people with special needs (young people, elderly people, disabled people, etc.), their representative associations and nonprofit organizations in general;
- institutions: local authorities and central, national and supranational institutions;
- university and research institutions;
- traditional media and social media' (p. 80, English edition of the Report).

In the document many references to web pages are included. The Report is very comprehensive and therefore interesting, but it should be shortened and the text should be more concise, precise and effective. The current structure is redundant and many data, projects and initiatives are presented in more than one section (see, for example, investorvalue.org, p. 10, p. 23, p. 31 of the Report, Italian edition).

Vodafone

In the *Sustainability Report* there are references to other documents and sources, also online: in particular, see the GRI Index. In general, because of the accountability approach adopted in the document, a question emerges: What is sustainability? For sure, it is not only caring for the environment or solidarity. It is also taking care of customer needs (transparency, fair prices, and so on): see pp. 8-9. The analyzed stakeholders are as follows: communities; customers; suppliers; governments; the environment, and employees. There is a problem with the scope of the Report, which is not always so clear (see p. 14): the definition of the limits of Vodafone responsibilities is questionable. There is a problem with the outsourcing partners (p. 14) too: these partners are suppliers, so their performance should be assessed because of the Vodafone extended responsibility. Moreover, I have to point out information redundancy and duplications (see, for example, data on customers on p. 5, p. 20, and so on). The Report is really too descriptive, with too many cases and a lack of concise data.

4.3.4 Utilities

Enel

In the *Sustainability Report*, references to other, also online, documents and sources are available: see pp. 120-121 and pp. 180-190 of the Italian edition of the Report. Not all these documents are available in an English edition. Furthermore, policies and related documents are a work in progress (see, for example, the Human Rights Policy, p. 187, Italian edition of the Report, and Enel web site). The stakeholder categories covered are the following: customers; employees; community; suppliers; shareholders, and government(s). To sum up, the Sustainability Report is very rich and detailed, especially with regard to the definition of the performance indicators and the GRI Content Index, but the relevant information is located in different documents and some stakeholder groups and crucial data (for example, with regard to the control of the supply chain or the relationships with the financial partners) are simply missing.

Hera

'Our sustainability reporting contains an important innovation: the first section of the document is dedicated to the main sustainability results obtained by Hera during its first ten years of activity', Maurizio Chiarini, CEO of the Hera Group (http://bs.gruppohera.it/index.php?lang=2#start). In the *Sustainability Report* there are references to other documents such as the Code of Ethics (p.31, English edition of the Report; p. 49, Italian edition) and to the web site (see, for example, p. 30, Italian edition, and widespread use of the QR code). I have to record redundancy in the Report (see, for example, KWD Webranking, quoted several times in the document), which is too narrative. According to the framework used for the analysis, an evident strength of the document is the following: the eight stakeholder groups are identified and covered.

With regard to the relationships with customers, more is expected: e.g., there is no focus on renewables as part of new, attractive commercial offers. A specific section on Hera's environmental performance (e.g., paper consumption in the offices, recycled toner cartridges, and so on) beyond the core businesses' performance (for example, degree of separate collection or energy efficiency of the power plants) is completely missing.

RWE

'We interpret our stakeholders as being all the individuals and organizations who we already interact with. Stakeholders are also people we engage with in dialogue or who seek dialogue with us. We also regard anyone who is interested in our company as a stakeholder' (*CR Report*, p. 29). The main stakeholders identified are as follows: the natural environment; suppliers; customers; employees, and communities (including shareholders, creditors, government(s)). In the document a more focused use of the Materiality Matrix (p. 31), covering the CSR areas (p. 29), is presented. Great importance is given to the R&D efforts. There is an interesting use of KPIs, which link the ten areas for action of the CSR strategy with measurement/reporting (see p. 2, p. 29, and pp. 43-45). The information is disassembled into three documents (CR Report, Annual Report, and Personnel Report, plus Internet). More detailed and integrated data, especially with regard to financial performance, are needed. Finally, '[s]ince the reporting year 2011, the CR Report has only been published online' (p. 140).

Veolia Environnement

‘Details of methodology used in environmental and purchasing reporting − In the absence of any recognized and relevant reporting baseline for its activities, the company has defined its own reporting procedures based on best practices and draft international standards’ (p. 115, CSR Digest − CSRD); ‘Details of methodology used in social reporting − In the absence of any recognized and relevant external reporting baseline, the Group has defined its own reporting procedures for social data based on best practices and draft international standards’ (p. 117, CSRD). Two main documents were considered for the analysis: *2012 CSR Performance Digest* (with a lot of information, in accordance with the French regulation requirements), and *2012 Annual and Sustainability Report*, with the first mainly structured according to a TBL/ESG approach, and the second according to a stakeholder framework (employees, communities, the natural environment); plus other material: *Registration Document 2012 − Annual Financial Report*; *2012 Key Figures*; *2012 Activity Report − Veolia Environnement Foundation*; *Protocol for the Measurement and Reporting of Environment Indicators 2012*; *Ethics Guide*; *Veolia Environnement 2012 Sustainable Purchasing Indicators Reporting Protocol*; *Dalkia Annual Brochure 2013*, and the Internet (see http://www.veolia.com/en/medias/publications/ and http://www.institut.veolia.org/en/institut-veolia-environnement.html). In some cases, very detailed indicators (e.g., with regard to training policies or temporary working: see pp. 102-103, CSRD) are provided. The structure of the Sustainable Development Department is really impressive and comprehensive and includes also the Internal

Auditing (see p. 9, CSRD). With reference to the environmental reporting, around 100 indicators have been monitored since 2001 using the Environmental Information System (EIS), which consolidates data from over 1,500 primary indicators. In any case, some warnings should be outlined: First of all, there is some fragmentation and duplication of data because of the many information sources. Furthermore, data reported in the different documents are not so coherent (see, for example, deployment of the environmental management system (EMS) in 2012: 91% on p. 71, Annual and Sustainability Report, and p. 98, CSRD, but 86.5% on p. 40 because of the exclusion/inclusion of Transdev). Finally, because of the many companies and departments the scope of the Reports is not always clear: see, for example, p. 37, p. 98, pp. 115-118, CSRD. In any case, there is a clear strength: interesting data are made available (see, for example, outsourced labor − p. 102, CSRD − and governance indicators − pp. 106-107, CSRD).

4.4 General Conclusions

The interpretive qualitative content analysis[vi] carried out and the data and evidence collected and presented in the previous sections of the chapter allow drawing some interesting and useful general conclusions with regard to the corporate approaches to sustainability and evaluation and reporting:

[vi] See chapter 3, sections 3.2 and 3.3.

- several spots, several case studies but a real accounting for sustainability is missing (consider, for example, the use of input-output analyses);
- precise data and breakdown analyses are missing: to sum up, more talking than deeds;
- many tools (ethical codes for suppliers, corporate codes of conduct, sustainable policies, and so on) but not a unique, integrative and integrated framework;
- self-referenced analyses but not a real, comprehensive, in-depth reporting to stakeholders (see: M&S case with a list of commitments but not an effective and clear accounting and reporting, or the BT *Better Future Report*, where the key features of the program (that is, origin, evolution, commitments, targets, KPIs, and so on) are not so clearly explained);
- usually, the environmental section of the reports is more developed and richer in terms of data and information: more corporate experience in the environmental field than in the others (and especially in the social/societal ones);
- indicators can be not only monetary or quantitative (that is, physical-technical) but also qualitative (see, for example, the different Content Indexes);
- GRI Sustainability Reporting Guidelines G3.1 as the main reference framework but data and quantification of the indicators vary a lot across the sample. This means no real homogeneity/comparability in the data provided[vii]. Just a brief but very clear and representative example: With regard to the GRI EN1 indicator ('Materials used

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[vii] So, the adoption of a standard does not automatically lead to comparable information. With regard to comparability as one of the main targets and principles of the existing reporting standards, see chapter 2. In reference to a new approach to comparability, based on a more interpretive attitude, see chapter 6, section 6.5.

by weight or volume'), Hera provides data on waste management, but this is its core business. Information on the material consumptions to support its processes (such as paper, toners for office activities, or other, specific raw and MRO materials for its plants) is not included (see p. 211 and p. 220, Sustainability Report, Italian edition);

- multimedia tools, such as the QR Codes, with a combination of old and innovative ways (such as interactive and visual effects/Reports: see, for example, BT or Hera), but the final result is too much confusion and redundancy, information overload or lack of information, such as when crucial data (e.g., on corporate governance) are missing because, for them, the Sustainability Report just makes a reference to other documents/locations;
- several reports discuss integrated reporting (for example, Plan A Report by M&S, p. 43 and p. 2; UniCredit Sustainability Report, p. 78, Italian edition, and Telecom Italia Sustainability Report, p. 24, Italian edition) but the approaches are really far from an acceptable, common perspective;
- the scope of the reports is not always so clear because of the limits/boundaries of the transnational groups: clarity problem;
- in many cases, core business overlaps with social responsibility: see, for example, Hera, BT, Vodafone, RWE or Walmart Reports. If a core business has social/environmental implications, this does not mean that the corporate behavior is responsible or sustainable (see, for example, HR policies);
- CSR and social issues mainly in continental Europe, sustainability mainly in the Anglo-Saxon regions;

- problem of isomorphism, that is, of homogenization in business conducts (DiMaggio and Powell, 1983). See, for example: Vodafone Sustainability Report p. 11; Enel Sustainability Report, Italian edition, p. 24, and Telecom Italia Sustainability Report, Italian edition, p. 25: same tool, that is, the Materiality Matrix, and similar results: see also Materiality Analysis, Banca Intesa Sanpaolo, p. 20, Italian and English edition. Consider also the need for the development of relationships with key NGOs/CSOs such as Oxfam - The Co-operative Group; Forum for the Future - M&S, and WWF - UniCredit in Italy and WWF - Migros in Switzerland; or the direct quotations of stakeholder representatives (e.g., UniCredit and Vodafone). With regard to this issue of isomorphism, in its Report BT writes (p. 11): 'So every year we: • benchmark peer companies' sustainability reports to gauge the most important issues and which businesses are best at sustainability reporting...'. This practice and more generally the homogenization process, characterized by a backward-looking orientation[viii], are quite questionable and lacking in innovation.

In order to address the relevance gap (Aram and Salipante, 2003) and provide suggestions that could also be useful to firms in improving the quality of corporate sustainability reporting, the data and evidence collected, and the specific and general interpretations developed through the qualitative content analysis – together with what emerges from the review of management tools conducted in the second chapter – are the

[viii] See chapter 5, section 5.2.

basis of a proposal on corporate sustainability accounting and reporting, which is outlined in the following chapter.

Chapter 5

An Integrative Proposal to Improve Corporate Sustainability Management

5.1 Introduction

In the following sections, first of all, the insights emerging from the qualitative content analysis and from the review of the managerial methodologies are discussed. After that, in order to reconnect the theoretical considerations with the business needs, on the basis of the achieved research findings a proposal on corporate sustainability accounting and reporting is outlined with the aim of providing firms with an effective tool capable of supporting them in their efforts to manage the relationships with the different constituencies and measure corporate success in a multidimensional way.

5.2 The Need for New Approaches

If the current financial, economic, social, and environmental conditions urgently call for new business paradigms (see, for example, Intergovernmental Panel on Climate Change, 2013)[i]; if the collaborative/relational view of the firm represents a viable alternative to the still prevailing mainstream model based on competition[ii]; if the

[i] See the Introduction and chapter 1, in particular section 1.1.

[ii] See chapter 1.

relationships with the different stakeholder groups are the really strategic assets for enterprises (Post *et al*., 2002a); and if the sustainability of the firm, that is, its long-term survival and development, depends on the sustainability (i.e., the quality) of its stakeholder relationships (Perrini and Tencati, 2006; Tencati and Perrini, 2006), then new managerial approaches are badly needed[iii].

So, new tools and methodologies are required to better manage corporate performance; and, in particular, new evaluation and reporting solutions that are really capable of capturing the complexity of multidimensional value creation processes, should be introduced and implemented[iv].

However, with regard to the sustainability perspective, what we have seen in the previous chapter[v] is that, in many cases, firms provide a weak interpretation of the concept (Aras and Crowther, 2009a):

1) the social/CSR/sustainability reports analyzed are not able to give a reliable, effective, and complete picture of corporate activities;
2) the interactions with stakeholders are not mapped in a comprehensive way;
3) in some cases, where the integration between financial and non-financial information is attempted, the result is just a simple presentation of separate elements in a single document.

[iii] See chapter 1. Moreover, for an in-depth analysis and a detailed definition of the corporate sustainability concept, see Aras and Crowther (2009a, pp. 280-282). For a transdisciplinary approach to corporate sustainability management, consider Schaltegger *et al*. (2013).

[iv] See chapter 1, section 1.6.

[v] See chapter 4, sections 4.2, 4.3, 4.4.

In brief, these documents do not provide an answer to the fundamental question: What is the role of business in society? Or, if we want to be more specific, they do not define the value (not only monetary) provided by the firms to the different constituencies.

The social/CSR/sustainability report cannot simply be a collection of good deeds where real innovation is lacking and isomorphism is ruling[vi]. On the contrary, an effective and systematic accounting and reporting system is requiredin order to show the real impact of the firm on the different constituencies.

So, for example, with regard to the banks[vii], how do they support the communities (that is, families and enterprises), in which they operate, especially during these turbulent times?[viii] Or, focusing on the retailing companies[ix], how do they manage the supply chains of the products they deliver? Or, considering the utilities[x] and the telecommunication companies[xi], how do they manage the relationships with their customers and how do they foster innovation to deliver more value with less, and more

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[vi] See chapter 4, section 4.4.

[vii] See chapter 4, section 4.2, table 4.1 The Report Assessment Matrix, and paragraph 4.3.1.

[viii] With regard to this point, consider the troubles affecting the Co-operative Banking Group in the last two years. No clear and extensive reference to that is included in the *Sustainability Report 2012* by the Co-operative Group: see chapter 4, paragraph 4.3.1, the Co-operative Banking Group profile. For further information on this topic, see: Boffey and Treanor (2013); Pratley (2014).

[ix] See chapter 4, section 4.2, table 4.1 The Report Assessment Matrix, and paragraph 4.3.2.

[x] See chapter 4, section 4.2, table 4.1 The Report Assessment Matrix, and paragraph 4.3.4.

[xi] See chapter 4, section 4.2, table 4.1 The Report Assessment Matrix, and paragraph 4.3.3.

sustainable, resources? These and other, similar questions are the pertinent ones. In the analyzed reports, these questions are either never addressed or only partially addressed. Thus, if we take the relational view of the firm seriously, we should go beyond the distinction between financial and non-financial information and develop an integrative evaluation and reporting system aimed at capturing the real sustainability profile of a firm.

The proposals on the table now are not so convincing and satisfactory for several reasons. In the current landscape, the emerging pattern is integrated reporting (Jensen and Berg, 2012) in its different versions (A4S, IIRC, SASB, and so on)[xii]. The main weaknesses of the tool as framed until now are as follows:

1. Main focus is on the investor category, that is, on the financial interests. In the SASB approach[xiii], 'SASB maintains a focus on the stakeholders for whom the standards are intended: corporations and their investors. These two stakeholder groups represent fully 2/3 of the industry working groups, with all other stakeholders (accountants, consultants, NGOs, academics,…) making up the remaining 1/3' (Sustainability Accounting Standards Board, 2013c, p. 22). We can also expect that in the remaining 1/3 the financial interests would be prevailing. Moreover, through the definition of the Materiality Maps the ESG issues 'that are the most relevant−or "material"−to shareholder value' (Eccles and Serafeim, 2013, p. 53) are identified to overcome 'the very real trade-offs that exist between financial and ESG performance' and 'simultaneously boost both financial and ESG

[xii] See chapter 2.

[xiii] See chapter 2, paragraph 2.4.11.

performance' (Eccles and Serafeim, 2013, p. 52). This is the same, simplistic rhetoric fostered by Porter and Kramer (2011) through the 'shared value' idea, and a similar approach can be found also in the IIRC work. According to that, as previously underlined[xiv], 'Integrated Reporting (<IR>) promotes a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital' (International Integrated Reporting Council, 2013b, p. 4). Furthermore, '[t]he primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It therefore contains relevant information, both financial and other' (International Integrated Reporting Council, 2013b, p. 7, paragraph 1.7)[xv]. The Guiding Principle 'Stakeholder relationships' states that '[a]n integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests' (International Integrated Reporting Council, 2013b, p. 17, paragraph 3.10)[xvi] but the same principle

> 'does not mean that an integrated report should attempt to satisfy all the information needs of all stakeholders. Rather, by focusing on matters that are material to short, medium and long term value creation, an integrated report will

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[xiv] See chapter 2, paragraph 2.4.10.

[xv] See also International Integrated Reporting Council (2013a, p. 8, paragraph 1.6).

[xvi] In the Consultation Draft this Guiding Principle was called 'Stakeholder responsiveness' (International Integrated Reporting Council, 2013a, p. 19).

> often provide relevant information in itself, as well as a clear reference point for other communications…' (International Integrated Reporting Council, 2013a, p. 20, paragraph 3.19; see also International Integrated Reporting Council, 2013b, p. 17, paragraph 3.11).

Therefore, in these approaches the same financial myopia recurs, that characterized business and society for around thirty years and led to the current structural crisis[xvii]. Companies are not simply moneymaking machines, and a means (i.e., profits) cannot become the ultimate goal of a firm whereas, according to a collaborative/relational perspective[xviii], the goals of a firm are multidimensional and its final purpose is to provide stakeholders with fitting values (Tencati and Zsolnai, 2009). Firms have been established basically to produce and deliver goods and services able to meet societal expectations; and in this view, appropriate financial returns are, in a certain sense, the expected byproduct of a good business activity, which can assure, on the one hand, the support of investors and, on the other, the appropriate resources for the firm as a going concern (Pivato and Gilardoni, 2000, pp. 403-448; Tencati, 2002a; see also: Frank, 2004; Kay, 2004, 2010). Furthermore, this simplistic idea that puts financial interests at the center of the socioeconomic system does not recognize that the real world is much more complicated and that unavoidable trade-offs exist and must be managed[xix]. Therefore, companies need to map the entire set of stakeholder relationships and monitor how corporate behavior

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[xvii] See the Introduction and chapter 1, section 1.1.

[xviii] See chapter 1, section 1.3.

[xix] An interesting contribution on this topic is provided by Crane *et al.* (2014).

affects them, beyond straightforward or immediate financial returns. As Lynn Sharp Paine noted,

> ‘The evidence … suggests that some nonfinancial variables are important on their own terms and may be critical success factors even if they are not causal drivers of financial results. Therefore, managers must care about them for the same reason they care about financial performance−because they are intrinsically important and part of what is expected of leading companies today. Matters such as honest accounting, treating employees with dignity, disclosing product risks, or being a good corporate citizen are not merely means to outstanding performance—they are increasingly part of its very definition.
>
> This expanded conception of corporate performance is implicit in the calls for corporate accountability that have become commonplace in recent decades… These calls for accountability have taken various forms−media investigations, legal challenges, boycotts, and direct action by consumer, labor, civic, religious, and other nongovernmental organizations’ (Paine, 2003, p. 120).

Moreover, ‘there are few secrets in today’s world. Executives live in the fishbowl, on full display. They need a way of thinking that easily integrates the many changes that they face. Focusing simply on “stockholders” and “shareholder value” is not helpful’ (Freeman *et al*., 2004, p. 11).

2. <u>‘Shallow’ definition of sustainability</u>. In reference to the first point, I can anticipate a possible criticism to my position. The proposals on integrated reporting are mainly intended for the investors and, more generally, for the financial community. This is understandable and is one of the reasons why these projects are so important.

However, if they really want to change course and have a long-lasting impact on market functioning, they need to adopt a robust definition of sustainability. But what emerges from the documents is a ‘shallow’ definition of the construct. In more detail, ‘[a]s it relates to corporate activities, and for the purpose of the SASB Standards, sustainability refers to environmental, social and governance (ESG) dimensions of a company’s operation and performance…’ (Sustainability Accounting Standards Board, 2013c, p. 7; see also Sustainability Accounting Standards Board, 2013a, p. 8)[xx]; and, with regard to the IIRC Framework, it refers to sustainability reports but does not provide any definition of sustainability, and the entire integrated reporting is based on the value creation idea, related to six forms of capital but mainly focused on financial returns (International Integrated Reporting Council, 2013a, pp. 16-17; International Integrated Reporting Council, 2013b, pp. 13-14). In the Connected Reporting Framework[xxi] the attention to the organization’s financial performance is also prevailing (The Prince’s Accounting for Sustainability Project, 2009a, p. 4). But this ‘incremental’ approach is not enough. In fact, it is clear that the current behavior of mainstream enterprises is unsustainable. So, if we want to make this tendency visible and foster a transformational change (WWF-UK, 2011) in business paradigms, it is crucial to start to work on an ‘impact-based reporting’ (Thurm, 2013) in order to assess how corporate policies affect the relationships with the different constituencies in a comprehensive and really integrated way.

[xx] See also chapter 2, paragraph 2.4.11.

[xxi] See chapter 2, paragraph 2.4.9.

3. Lack of innovation. On the basis of what we have seen till now, it seems obvious that innovative practices are urgently required. Unfortunately, in the reporting field there is an increasing trend towards isomorphism, that is, a process of homogenization in business conducts (DiMaggio and Powell, 1983; see also, for some interesting reflections upon the evolution of the CSR field, Vogel, 2005) that allows no room for innovation[xxii]. A growing number of binding reporting requirements, rules, and guidelines[xxiii] are forcing companies to converge on similar praxes, and it is quite difficult to detect the firms that are really and successfully striving to achieve leading performance. In a certain sense, the efforts in the integrated reporting field are reinforcing this ‘vicious cycle’. For example, ‘SASB assesses the materiality of sustainability issues by looking at evidence of interest from the perspective of a hypothetical “reasonable” investor’ (Sustainability Accounting Standards Board, 2013c, p. 14). Evidence of interest is examined ‘by searching thousands of source documents, from l0-Ks to media reports, for ESG keywords’ (Eccles and Serafeim, 2013, pp. 53-54). Therefore, here we have a focus only on the investor interests and with a backward-looking orientation[xxiv], that is, a conservative, narrow approach, which, by definition, excludes innovation. And this puts the same investor at risk.
4. What is substantially a means cannot become an end. The IIRC and SASB share the same framework, based on the different forms of capital, which derives from the

[xxii] See chapter 4, section 4.4.

[xxiii] See chapter 2.

[xxiv] See chapter 4, section 4.4. On this topic, see also Crowther (2012).

accounting rules[xxv]. But what was conceived as a tool to assess the financial performance cannot become the final purpose of the entire assessment process of corporate performance. More specifically, according to the IIRC (International Integrated Reporting Council, 2013a, p. 28, paragraph 4.27), ‘An integrated report should answer the question: To what extent has the organization achieved its strategic objectives and what are its outcomes in terms of effects on the capitals?’ This statement is complemented by the following specification, which, in any case, seems to be insufficient: ‘An integrated report contains qualitative and quantitative information about performance, including: … The state of key stakeholder relationships and how the organization has responded to stakeholders’ legitimate needs, interests and expectations…’. In fact, because of its vagueness, it could allow firms to continue to produce redundant and ineffective collections of good deeds (Crowther, 2004)[xxvi].

However, in the real world, entrepreneurs, managers, and firm employees, especially in small and medium-sized enterprises (SMEs)[xxvii], do not think in terms

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[xxv] See chapter 2, paragraph 2.4.10.

[xxvi] On this topic, see also chapter 4, section 4.4. In many cases, this kind of social reporting could be part of a strategy aimed at altering the public’s perception about the legitimacy of the firm. With regard to this point, see Hooghiemstra (2000).

[xxvii] Over 20 million SMEs in the European Union represent 99% of businesses and are ‘a key driver for economic growth, innovation, employment and social integration’ (European Commission – Enterprise and Industry, 2014). More generally, ‘[s]mall and medium enterprises (SMEs) account for about 90 percent of businesses and more than 50 percent of employment worldwide. They are key engines of job creation and economic growth… particularly following the global financial crisis’ and ‘particularly in

of six forms of capital or of a triple bottom line (TBL) agenda, that is, of three separate elements – the environmental, social, and economic ones (Elkington, 1994, 1997, 2004). In the day-to-day activities they work with suppliers, try to meet customer expectations, collaborate with colleagues, invest time and money in initiatives for the benefit of the local community and the natural environment in which the firm operates, and so on. Therefore a stakeholder framework (Clarkson, 1995; Donaldson and Preston, 1995; Freeman, 1984, 2010) seems to be the most understandable, appropriate, and fitting perspective with which to assess corporate performance: 'The key to solving the core strategic problem is to understand the firm's entire set of stakeholder relationships' (Post *et al*., 2002a, p. 8). And for this reason, in 2006, the *multiple bottom line*[xxviii] approach was introduced through the

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developing countries where up to 80 percent of economic activity takes place in the informal sector' (International Finance Corporation, 2012a). 'Small companies… have as much to offer as large companies when it comes to corporate responsibility, even though they often adopt a more informal and intuitive approach to CSR' (Commission of the European Communities, 2006, p. 10). With regard to this point, the European Commission recognizes that 'a specific approach is needed to foster CSR amongst SMEs. Such an approach requires giving greater recognition to what many SMEs already do in the field of CSR' (Commission of the European Communities, 2006, p. 8). What we need is not 'just business but socially responsible business…' (Commission of the European Communities, 2006, p. 3; see also, on this topic, Perrini *et al*., 2006, pp. 180-184) and '[s]mall firms are not little big firms' (Tilley, 2000, p. 33; see also Spence, 2014). Therefore, the current proposals on integrated reporting, especially focused on large and listed companies, miss a fundamental target and a crucial change agent represented by SMEs and, in particular, by micro enterprises, that is, firms with less than ten employees, which are the most part of small and medium-sized enterprises (Russo and Tencati, 2009).

[xxviii] See the Introduction and chapter 1.

Sustainability Evaluation and Reporting System (SERS) methodology (Perrini and Tencati, 2006).

On the basis of the analysis undertaken to this point[xxix], it is time to present a revised and updated version of SERS, that is, SERS^2.

5.3 SERS^2: The Sustainability Evaluation and Reporting System Revised and Updated

In 2006, in order to face the strategic challenge related to the management of stakeholder relationships and meet the managerial needs, especially those engendered by SMEs, and because of the existence of a strong need for a clear and modular methodology for a sustainability performance management system (Schaltegger and Burritt, 2006), the Sustainability Evaluation and Reporting System (SERS) was presented. It aimed at monitoring and tracking the overall corporate performance, from a qualitative and quantitative standpoint, according to a stakeholder view (i.e., the multiple bottom line approach) and was based on a flexible structure that made it suitable for companies of different industries, sizes and countries.

The proposal – developed within SPACE (at that time the Research Center of Bocconi University on Risk, Security, Occupational Health and Safety, Environment

[xxix] See, in particular, chapter 2, chapter 4 and the present section, 5.2.

and Crisis Management[xxx]) – was conceived to aggregate different management tools (e.g., social reporting, environmental reporting, and key performance indicators) into a comprehensive model. This integrated approach was derived from theoretical analyses and empirical experiences spanning almost fifteen years of research activity in the fields of management of sustainability and social, environmental and sustainability performance evaluation and reporting and through collaboration with companies and institutions (De Silvio and Tencati, 2002; Pogutz and Tencati, 1997; SPACE, 1993; Tencati, 2002a, 2002b; Perrini and Tencati, 2003; Tencati *et al*., 2004)[xxxi]. The goal was to build an efficient and effective methodology for an overall assessment of the corporate sustainability in order to foster and support new accounting and reporting efforts in companies (with a special focus on SMEs), contribute to the integration of financial and non-financial performance measures, improve the quality of decision-making processes and of the overall business management and strengthen the corporate accountability and responsiveness towards the different stakeholder groups.

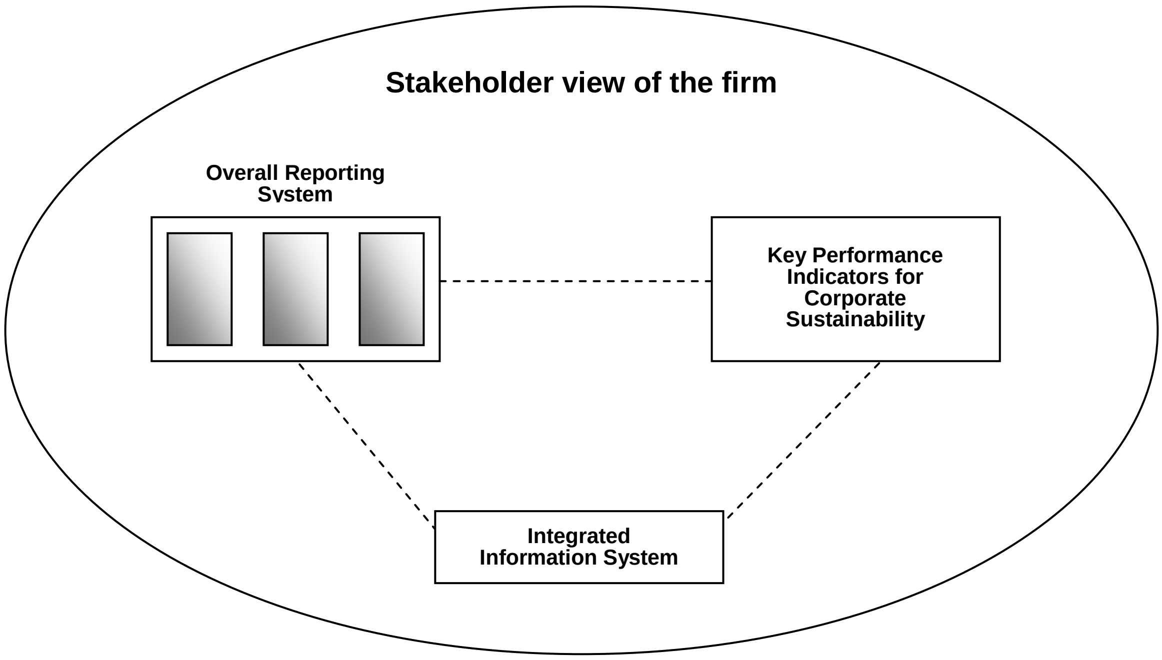
SERS, in its original version, was composed of three modules (see figure 5.1):

[xxx] In 2010 SPACE was merged into CReSV, the Bocconi inter-departmental Center for Research on Sustainability and Value. The author of the thesis was a member of the Steering Committee and a Research Coordinator, responsible for the 'Corporate Social Responsibility and Environmental Management' area.

[xxxi] With regard to the topic of action research [that is, 'research in action rather than research about action': Saunders *et al*. (2009, p. 147)], see Crowther and Lancaster (2008, p. 135): 'Action research involves practical hands-on field research in an organization where the researcher has the objective of solving practical problems in the organization with a view to solving real world problems'.

– the *Overall Reporting System* (or the *Sustainability Reporting System*), which is comprised of the following:
  - the Annual Report;
  - the Social Report;
  - the Environmental Report;
  - a Set of Integrated Performance Indicators;
– the Integrated Information System;
– the Key Performance Indicators for Corporate Sustainability.

Figure 5.1 The Sustainability Evaluation and Reporting System (SERS)

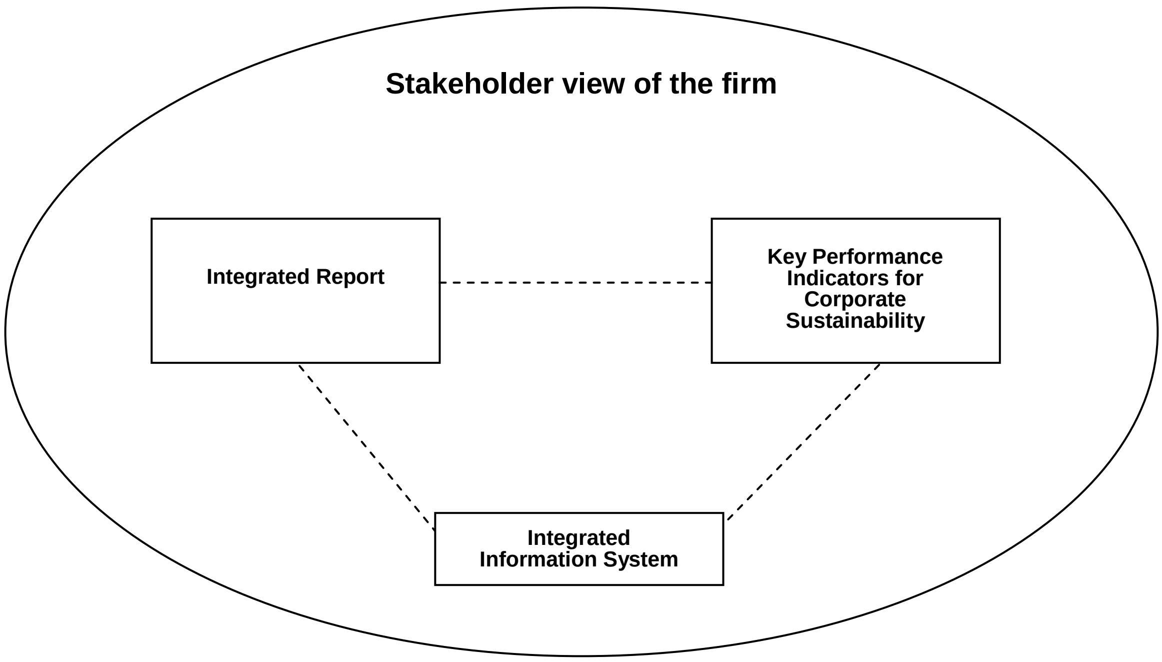


Source: Perrini and Tencati (2006)

Because of the experiences of the past several years (Ancona Chamber of Commerce, 2007, 2008, 2009, 2010, 2011, 2012; Perrini and Tencati, 2007, 2008) and the results of the current research project, it is now possible to advance a revised and updated version of the SERS methodology, called SERS^2, wherein the main innovation consists of the fact that the Overall Reporting System, that is, the Sustainability Reporting System, has been replaced by an Integrated Report based on a stakeholder framework (see figure 5.2). Therefore, the main elements of the SERS^2 are as follows:

- the *Integrated Report*;
- the Integrated Information System, and
- the Key Performance Indicators for Corporate Sustainability.

Figure 5.2 SERS^2



5.3.1 The Integrated Report

The *integrated report* measures the impact of the company and its activities on the different stakeholder groups. Therefore, it is a methodology capable of supporting the management decision-making process and the corporate communication/engagement policies. In more detail, this tool could be used beyond compliance, that is, beyond the traditional mandatory reporting activities regarding annual or, more generally, periodic reports focused on financial accounting. It could also be employed to address legal requirements when national regulations necessitate disclosure of social and environmental information, as is the case in France, Denmark, Norway, and the United Kingdom (for an inventory of the international and national initiatives in this field, see Global Reporting Initiative *et al.*, 2013).

According to the SERS[2] approach, the integrated report is composed of the ethical policy, the value-added statement and the analysis of stakeholder relationships (see table 5.1).

In particular, the ethical policy contains specific corporate commitments to the stakeholder groups, in line with the relational view of the firm. On the basis of these commitments the corporate performance is assessed through the other two elements.

The value-added statement is a traditional tool in social reporting. For example, it was adopted in the '70s by a group of German companies called Sozialbilanz-Praxis (Rusconi, 1988, pp. 84-88)[xxxii] and it is the link between traditional financial accounting and social reporting. It measures the (financial) value added, generated and distributed

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[xxxii] See also chapter 4, paragraph 4.3.3, the Deutsche Telekom profile.

by the company to the different stakeholder groups (workers, financial partners, state and local authorities, community, shareholders) or invested into the firm. It is a first picture of the (stakeholder) value created and distributed (Figge and Schaltegger, 2000).

Table 5.1 The integrated report according to the SERS[2] scheme

1. *Corporate Identity*

- Brief Description of the Company
- Ethical Policy
  - ➔ Charter of Values and Principles (Ethical Code)
  - ➔ Mission
  - ➔ Charter of Commitments to Stakeholders
    - ➢ Human Resources
    - ➢ Members/Shareholders, Financial Community
    - ➢ Clients/Customers
    - ➢ Suppliers
    - ➢ Financial Partners (Banks, Insurance Companies and Financial Services)
    - ➢ State, Local Authorities and Public Administration
    - ➢ Community
    - ➢ Environment

2. *Economic Wealth created and distributed by the Company:*

   The Value Added

3. *Relationships with Stakeholders*

The analysis of stakeholder relationships aims to assess the sustainability of the interactions between a company and its stakeholders through qualitative, quantitative (physical and technical), and economic-monetary information. This analysis also comprises forms of environmental and social accounting in order to assess the economic costs and benefits related to environmental and social activities and policies (e.g., internal costs and benefits related to environmental management or occupational health and safety management).

More generally, for specific stakeholder groups (for example, shareholders or the natural environment) it is possible to use targeted accounting and reporting methodologies, indicators or sets of information developed and established over time.
In reference to investors and the financial community, it is fundamental to recognize the role played by financial accounting but, in a sustainability perspective, transparency and disclosure regarding corporate governance mechanisms and procedures are also necessary (Aras and Crowther, 2009b, 2010b).

With regard to environmental reporting, it is possible to define the boundaries that should characterize a comprehensive environmental information system. According to the nature of the environmental information (physical data or financial items) and the object (processes or products), to which these measurements refer, a classification of the main methodologies capable of monitoring the relationships between corporate activities and the environment can be advanced (see table 5.2).

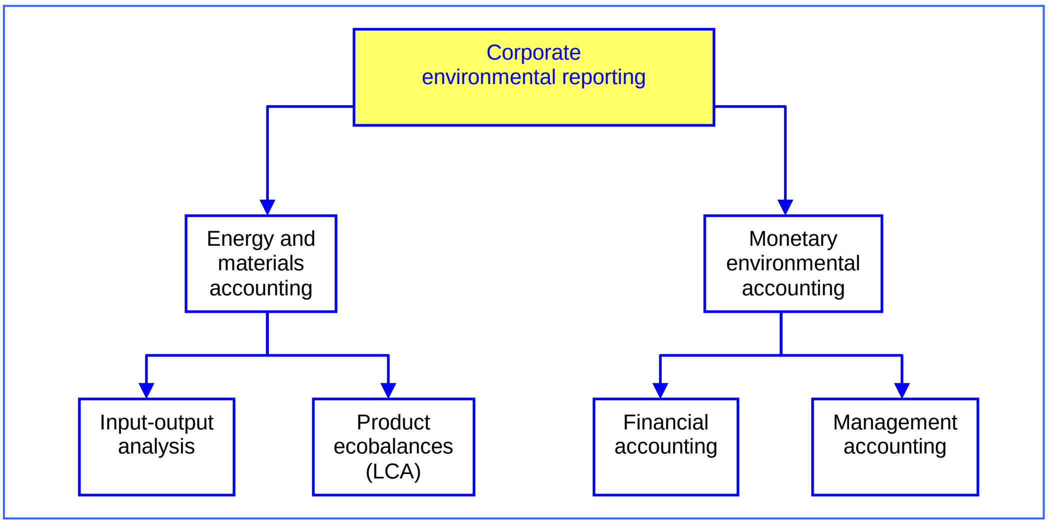
Table 5.2 Environmental accounting: main methodologies

Types of environmental information **Object of analysis**	*Energy and material flows*	*Financial Items*
Processes	Ecobalance or Input-output analysis	Cost/benefit accounting related to environmental management of processes
Products	Product ecobalance or Life-Cycle Assessment (LCA)	Cost/benefit accounting related to environmental management of products

Source: Perrini and Tencati (2006)

The environmental reporting framework within SERS^2 aims to include the identified methodologies and combine an accounting system collecting physical data with the measurement of (internal) costs and benefits related to the environmental management choices made as regards processes and products (Burritt *et al.*, 2002; Emblemsvåg and Bras, 2001). According to this approach, the environmental reporting comprises input-output analysis, LCA and cost/benefit accounting related to environmental management of products/processes. Therefore, the SERS^2 model is designed to define the boundaries an environmental information system should have by identifying a general and complete environmental reporting scheme, which can be applied to any size organization or business across all industries. Two important kinds of information flows constitute the object of the environmental reporting system: flows related to physical data − energy and materials accounting; flows related to financial items – monetary environmental accounting (see figure 5.3).

Figure 5.3 The environmental reporting: the SERS^2 model



Source: based on Perrini and Tencati (2006)

Energy and materials accounting (Beck, 1993; Hallay, 1990; Manfredi *et al*., 2011; Ruini *et al*., 2013) collects information regarding the environmental impact of company activities. In particular, we can distinguish two methods: the input-output analyses and the product ecobalances (LCA). The first ones collect and organize the information on energy and material consumptions and the related emissions caused by the operations. The second ones measure the environmental impact of the main products of the firm in terms of resources consumption and pollution along their entire life cycle (from-cradle-to-cradle approach: McDonough and Braungart, 2002; Tencati and Pogutz, 2012). Monetary environmental accounting (Bundesumweltministerium and Umweltbundesamt, 1995; Schaltegger *et al*., 2008; United States Environmental Protection Agency, 1995) is a method designed to determine the financial costs/benefits borne by the company and associated with the environmental management activities carried out by the firm itself. It represents the second important dimension in developing corporate environmental reporting. It is a matter of building a tool to measure the economic quantities related to environmental management in order to improve decision making. This monetary environmental accounting has to be well integrated with the existing financial and management accounting systems (Burritt, 1997). Therefore, defining this kind of environmental accounting is very complex and few companies in the world have introduced an advanced system of measuring environmental costs and benefits[xxxiii] (see Box 5.1).

[xxxiii] Recently, Puma has introduced a new methodology to measure the impact generated by its extended supply chain. The results revealed that 57% of the environmental impact occurred at the raw material

Box 5.1 Enel: Environmental cost accounting in a power plant and recent developments

Between 1999 and 2000 a pilot project on environmental cost accounting was carried out in the thermoelectric power plant of La Casella, near Piacenza, in Northern Italy. This plant is owned by the Italian Enel Group, one of the most important power companies in Europe[xxxiv]. Because of a program aimed at improving the eco-efficiency of the plants and a more and more pressing environmental regulation, the measurement of the environmental costs, that is, of the costs related to the environmental management, became strategic. Therefore, this project was implemented in order to develop an innovative environmental cost accounting system, which could also be applied in other plants of the Group. According to the achieved results, the environmental costs represent about 18% of the overall operating costs, i.e., purchasing costs plus salaries, wages and employee benefits. This information supported the introduction of an Environmental Management System, developed according to the requirements of the Eco-Management and Audit Scheme (EMAS) Regulation, with the purpose of improving the environmental performance of the plant and the local relationships.

In 2012, the total environmental expenses of the Enel Group were 1,282 million Euros, of which 758 million Euros were used for current expenses and 524 million Euros for

production level, while only 6% of the impact derived from Puma's operations (Meyers and Waage, 2014).

[xxxiv] Enel is one of the leading companies selected for the analysis of corporate practices in the sustainability evaluation and reporting field. See chapters 3 and 4.

investments. Part of the current expenses (182 million Euros) was used to purchase CO_2 emission quotas in order to ‘offset the deficit between the quotas assigned and the quotas verified under the Emission Trading Directive’ (see *Enel Sustainability Report 2012*, p. 64)[xxxv].

Source: based on De Silvio and Tencati (2002)

Furthermore, this comprehensive environmental information system could also support the adoption and implementation of new instruments such as the *Organisation Environmental Footprint* (OEF) or the *Product Environmental Footprint* (PEF) fostered by the European Commission in order to build a single European market for green products by facilitating better information on the environmental performance of products and organizations (European Commission, 2013a, 2013b).

In conclusion, the integrated report allows a company to check and report the annual overall corporate performance. Its goal is to build a true and fair view of the business situation in order to strengthen, improve, and manage the stakeholder relationships in a sustainable way. It is a fundamental tool in meeting the information needs coming from different stakeholder groups and affecting the concept of corporate accountability (Tencati, 2010). Thus, in order to achieve a more complete, reliable, and material view of the business behavior, within and in line with the integrated reporting framework a company could build and propose a set of integrated performance indicators, i.e., cross-cutting indicators (see, for example, Global Reporting Initiative, 2002, p. 45 and pp. 82-84), which relate physical and technical quantities to financial ones (e.g., an indicator

[xxxv] See also chapter 4, paragraph 4.3.4, the Enel profile.

could relate the total amount of waste generated during the year to the value added created by the firm in the same period).

5.3.2 The Integrated Information System

The *integrated information system* is the core of performance evaluation and reporting processes. Based on the now widespread ICT − Information and Communication Technologies − solutions such as the Enterprise Resource Planning (ERP) systems[xxxvi], this element enables an organization to collect, process and share physical/technical and financial data. Programs to introduce environmental and social accounting systems for the purpose of integrating and improving the existing financial and cost accounting methodologies have to start from this level.

The goal is to build a satellite accounting system (European Commission *et al*., 2012; United Nations, 1993; United Nations *et al*., 2003, 2014) that is focused on social and environmental performance, capable of collecting and organizing all the relevant data (including financial) and connected with the other specific accounting/information systems. Through the integration of the different databases it is possible to extract and

[xxxvi] Most of the large companies have already adopted solutions like these but, in many cases, they do not use them to build a real and effective accounting for sustainability: see, on this topic, what emerges from the content analysis (chapter 4, section 4.4). With regard to SMEs, specific suites are now available (Grando *et al*., 2010, pp. 230-232) on which it is necessary to intervene in order to encompass social and environmental issues. For a critical analysis of the current ERP systems from a sustainability standpoint, see Odenwald (2015).

provide to operators and decision makers the necessary information to assess the overall performance of the company and its sustainability.

Furthermore, because of the pervasive role played by the Internet and social media (Crowther, 2012) an increasing number of data sources (that is, the 'big data' phenomenon: Asay, 2013) is available and can be managed in real time through innovative and flexible data collecting and processing infrastructures (see also, on this topic, IBM, 2013).

5.3.3 The Key Performance Indicators for Corporate Sustainability

The *Key Performance Indicators for corporate sustainability* are specific indicators developed in tandem with corporate information requirements. The aim is to provide a tool to continually monitor an organization's performance trends. The number and types of measures should be defined on the basis of real corporate needs. In this way the Key Performance Indicators (KPIs) represent a *Dashboard of Sustainability* (International Institute for Sustainable Development, 2001) supporting managerial decision-making processes. Sets of indicators proposed by many organizations – such as EFFAS and DVFA (2010), Global Reporting Initiative (2013b, 2013c)[xxxvii], International Finance Corporation (2010, 2012b), Organisation for Economic Co-operation and Development (2011), Sustainability Accounting Standards Board (2013b)[xxxviii], and World Business

[xxxvii] See chapter 2, paragraph 2.4.1.

[xxxviii] See chapter 2, paragraph 2.4.11.

Council for Sustainable Development (2008) – can be used in drawing up an organization's specific measurements, but they cannot limit the corporate choice. KPIs can focus on the financial, operating, marketing, environmental, social, cross-cutting (e.g., with regard to the eco-efficiency and the socio-efficiency of the organization: Schaltegger *et al*., 2002, p. 9; Schaltegger and Burrit, 2005: pp. 188-192) aspects of business management. They are the informative basis of the integrated report, and in order to define them a company should carry out broad and well-designed stakeholder engagement activities (ISO, 2010).

These key performance indicators are the crucial element of the SERS[2] methodology. In general, small and medium-sized companies do not have sufficient time and resources to build an integrated report. But these firms certainly need a map for an ongoing assessment of their performance and of the related quality (i.e., degree of sustainability) of the relationships with their stakeholders. This map is effectively provided by a set of KPIs. And this consistent and clear dashboard of sustainability could also be used as a fundamental tool to communicate the information required by the different stakeholder groups. Therefore, in concert with the adopted relational, collaborative, stakeholder-based view of the firm[xxxix], KPIs should be organized according to a framework based on stakeholder categories.

For example, the indicators could be organized according to a three-level framework (Global Reporting Initiative, 2002, pp. 36-37; Global Reporting Initiative, 2013b, pp. 43-44 and p. 47; Global Reporting Initiative, 2013c, p. 62 and p. 66; World Business Council for Sustainable Development, 2000, p. 8):

[xxxix] See chapter 1.

Categories: stakeholder groups whose relationships with a firm are monitored by specific clusters of indicators;

Aspects: thematic areas mapped by groups of performance indicators related to a given stakeholder category;

Indicators: measurements that supply information on a given aspect. They can be used to check and demonstrate organizational performance. The information can be qualitative, quantitative (physical and technical) or economic-monetary.

The stakeholder categories adopted could be as follows (Tencati *et al*., 2004)[xl]:

1. Human Resources;
2. Members/Shareholders, Financial Community;
3. Clients/Customers;
4. Suppliers;
5. Financial Partners;
6. State, Local Authorities and Public Administration;
7. Community;
8. Environment.

These categories are also used in the integrated report (see table 5.1). In this way, KPIs can provide the different constituencies with suitable and targeted information without any redundancy or overload[xli].

[xl] In line with those adopted for the qualitative content analysis: see chapter 3, paragraph 3.3.2.

Thus, every firm has to indentify its own specific set of stakeholder categories, relevant aspects, and KPIs.

5.4 Implications for the Financial Community

> ‘There is a natural fit between the idea of corporate social responsibility and an organization's stakeholders. The word “social” in CSR has always been vague and lacking in specific direction as to whom the corporation is responsible. The concept of stakeholder personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation. Thus, the stakeholder nomenclature puts “names and faces” on the societal members who are most urgent to business, and to whom it must be responsive’ (Carroll, 1991, p. 43).

For more than forty years the attempt to build a business case for CSR has been looking for a direct relationship between CSR efforts and corporate financial performance (Margolis *et al.*, 2007; Orlitzky *et al*., 2003). Unfortunately, this approach has substantially led to inconclusive and inconsistent results (Carroll and Shabana, 2010; Pivato *et al*., 2008).

Therefore, the simplistic idea of a straightforward relationship between corporate social performance (CSP) and corporate financial performance (CFP) should be

[xli] See chapter 4, sections 4.3 and 4.4.

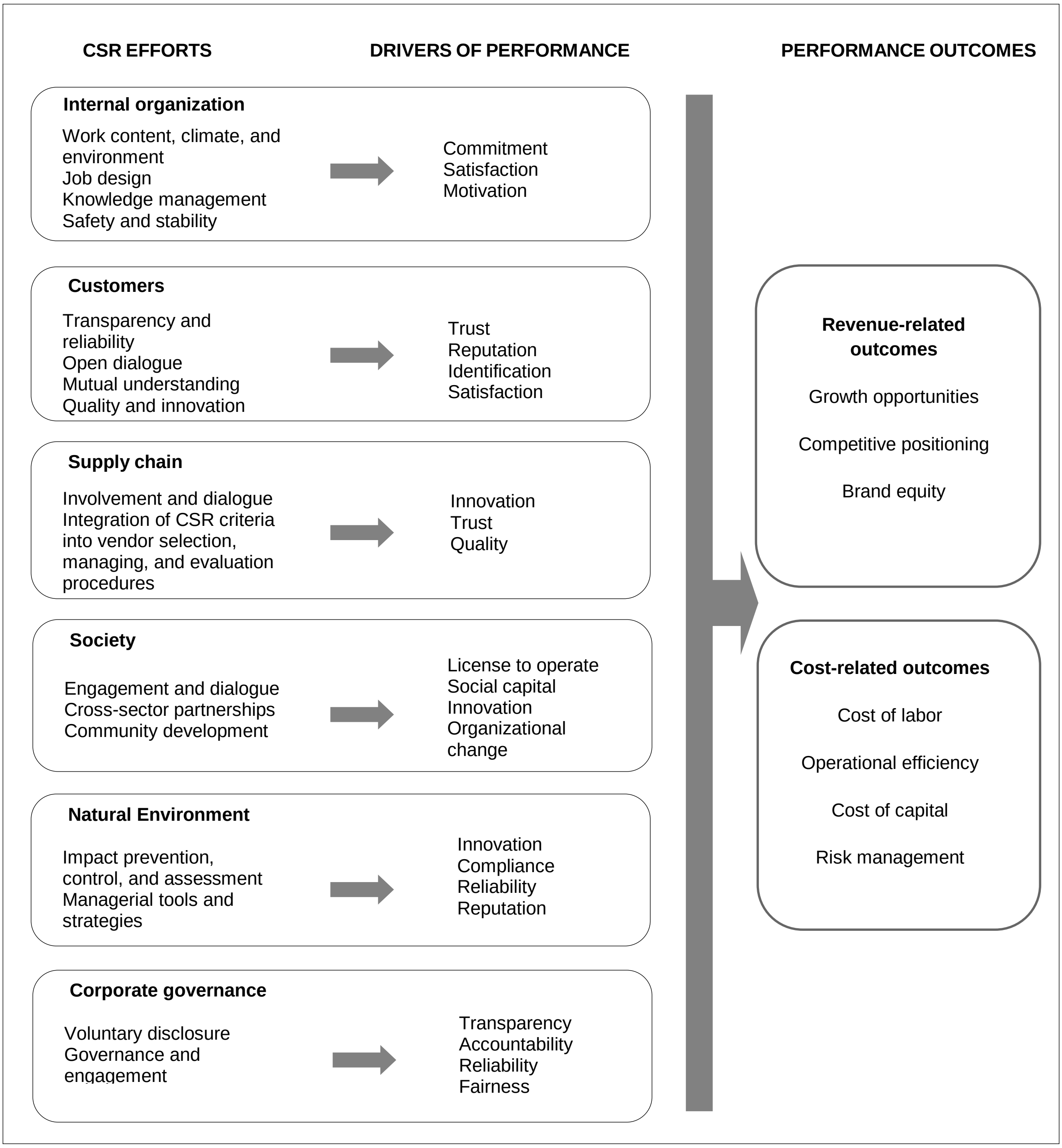
abandoned in favor of a more complex perspective. In more detail, emerging theoretical and empirical studies have started to investigate the impact of specific stakeholder-oriented policies and programs, according to a conception of CSR as a new governance model rooted in the value of stakeholder relationships and in the capacity of a firm to meet stakeholder needs beyond mere legal compliance (Rivoli and Waddock, 2011). Thus, a clear understanding of CSR effects and impacts should disentangle different stakeholder groups and investigate how specific activities translate into organizational, managerial, or market gains according to a multiple bottom line perspective (Perrini and Tencati, 2006; Tencati and Zsolnai, 2009)[xlii].

By focusing on the relationships with the different stakeholder groups, SERS[2] allows to delineate how responsible and proactive collaboration with stakeholders could support broad value creation processes capable of benefiting the different constituencies, including not only shareholders but also employees, customers, suppliers, the community and the environment in which a firm operates, and so on.

From a financial and managerial perspective, an ongoing analysis and evaluation of the corporate policies affecting the different stakeholder groups shows how adopting a collaborative and responsible attitude in specific management domains (e.g., relationships with suppliers, with employees, with customers, and so on) can lead to both revenue-related and cost-related outcomes through its impact on performance drivers such as perceived trustworthiness and company reputation, organizational commitment, consumer-company identification, and a firm's innovativeness (see figure 5.4).

[xlii] See chapter 1.

Figure 5.4 The CSP-CFP relationships: a multilevel framework



Source: Perrini *et al*. (2011, 2013)

Despite some attempts to integrate these elements into mainstream management and performance assessments, financial considerations are still the prevailing criteria for accepting or rejecting corporate initiatives or investments[xliii]. Therefore, more comprehensive and reliable tools and methodologies to support the evaluations of corporate performance and business projects – such as integrated reporting – are needed.

But if in other methods (A4S, IIRC, SASB, and so on)[xliv] the financial perspective seems to be dominant, the stakeholder framework, which informs the SERS[2] proposal, makes visible the mechanisms that could lead to a better corporate performance without reducing or limiting the unique and strategic value of each set of relationships. In this perspective, the financial value is not the only permissible criterion to assess the performance of the firms; it is also clear that an expected outcome of sustainable and resilient stakeholder relationships is a positive bottom line[xlv].

Therefore, in the present methodology a framework is advanced that could help companies and the investment community to better understand how CSR – that is, responsible stakeholder-oriented policies – could positively affect corporate performance.

Firms can reference this model to better assess, reframe, and improve their CSR policies – in terms of efficiency and effectiveness – and apply the appropriate mechanisms for enhanced performance.

[xliii] See chapter 1, section 1.1, paragraph 1.5.2, and section 1.6.

[xliv] See chapter 2.

[xlv] See section 5.2.

The investment community can draw on this framework to increase its understanding of corporate initiatives and efforts in order to better evaluate the real quality of management and the sustainability of the value-creation processes developed by the companies with which it works.

Furthermore, the framework could also assist with a more balanced interaction between firms and the investment community. At the moment, this field suffers from a knowledge gap (Sustainable Value EABIS Research Project, 2009; The Prince's Accounting for Sustainability Project, 2012).

In fact, to address the sustainability challenge, several firms are developing more participative governance systems and deploying broad value-creation processes by targeting, involving, and engaging stakeholders, but these efforts are not fully appreciated by the financial markets. The perspective provided by a multiple bottom line approach offers a positive contribution to addressing this crucial issue and directing the behavioral patterns of firms and investors toward more enlightened, consistent, and informed approaches.

In any case, what is required of the financial community, and of the financial analysts in particular, is to develop new skills and capabilities for combining and integrating financial and non-financial information in order to better understand present and future strategic positioning of the assessed firms. The exclusive focus on financial returns and the attempt to oversimplify reality by reducing the complexity of the world to immediate financial measures are no longer acceptable for the sake of the same investors[xlvi].

[xlvi] See the previous section 5.2.

5.5 Conclusions: New Approaches Call for New Corporate Performance Management Solutions

The implementation of new managerial approaches is crucial. Corporate success is multidimensional and having mutually beneficial relationships with stakeholders is its foundation. Therefore, non-financial issues matter not only as means to financial ends (Paine, 2003), and innovative management tools are badly needed.

These are the main propositions forming the basis of the current chapter[xlvii].

In this perspective, one of the keys to successful strategic management is the availability of evaluation and reporting methodologies capable of monitoring and tracking from a qualitative and quantitative viewpoint the overall corporate performance and, in particular, the state, i.e., the sustainability, of the different stakeholder relationships.

In this chapter I have presented a revised and updated version of SERS−SERS^2−[xlviii], that is, the Sustainability Evaluation and Reporting System, which is based on a stakeholder view of the firm and therefore is really aimed at integrating and balancing financial and non-financial performance indicators, supporting planning, implementation and control activities of a sustainability oriented and collaborative organization.

[xlvii] See the previous section 5.2.

[xlviii] See the previous sections 5.3 and 5.4.

My proposal provides a reliable framework intended to assist firms in understanding stakeholder requirements and assessing their own performance. This framework, through an integrated perspective, aims at the following:

1. to aggregate different management tools (e.g., integrated reporting, social and environmental accounting, KPIs, and so on) into a comprehensive model – methodological integration;
2. to supply information, which can be qualitative, quantitative (physical and technical) and economic-monetary, through the performance measurements – integration of data/information. These indicators build a sort of dashboard of sustainability, that is, an effective *Tableau de Bord*, which goes beyond the traditional financial data. Moreover, the availability of a broad range of measures allows a company to build integrated performance indicators by relating physical and technical quantities to financial ones. These comparisons help management to assess the effectiveness of their choices and to review their strategies and define next steps by using an appropriate informational support;
3. to map and monitor the entire set of a company's stakeholder relationships – integration of different stakeholder perspectives into a unique methodology according to a *multiple bottom line* approach[xlix].

In this way, SERS[2], framed around a relational view of the firm[l], enables a firm to manage the stakeholder relationships and address needs and concerns coming from

[xlix] See chapter 1, section 1.6.

[l] See chapter 1, sections 1.3 and 1.4.

various stakeholder groups in a targeted and effective way, going beyond limits and pitfalls characterizing the current methodologies and praxes and improving the overall quality of reporting[li].

Furthermore, SERS^2 advances an innovative format of integrated reporting, which is more in line with a firm's orientation because of the stakeholder framework adopted, is free from a still prevailing financial imprinting but, at the same time, is capable of providing the financial community with a valuable lens to capture the real quality of management. Moreover, the SERS^2 structure, composed of different modules (the Integrated Report, the Integrated Information System and the Key Performance Indicators) is flexible enough to be used by businesses of different sizes operating in different sectors and countries. In particular, KPIs are a fundamental tool especially to support micro, small, and medium-sized enterprises[lii].

However, further steps are expected in the future. If we adopt a stakeholder view of the firm in order to design integrated reporting and performance management systems, we need also to understand how the stakeholder relationships and the related engagement processes could impact the quantity and quality of performance indicators aimed at monitoring corporate sustainability. In fact, the ubiquitous and pervasive ICT impact opens the doors to several intensive ways of stakeholder engagement via the Internet, social media, mobile devices and related apps, and so on, and puts the firms under continual scrutiny. This means that, because of this possible continual interaction,

[li] See chapters 2 and 4, and the previous section 5.2.

[lii] See the previous sections 5.2 and 5.3. See also chapter 6, sections 6.5 and 6.7.

the definition of specific performance indicators, the data collection and the processing of the information gathered from multiple sources could become very challenging.

At the same time, this intensive and fast evolution makes the traditional competitive model more and more obsolete and doomed to failure[liii]. The real key to present and future sustainable success lies in a collaborative attitude[liv], underpinned by accountability and transparency, fostering open innovation and cross-sector partnerships (Tencati and Zsolnai, 2014).

[liii] See chapter 1, section 1.2.

[liv] See chapter 1.

Chapter 6

Conclusions

6.1 Introduction: The Addressed Research Problem, Questions, and Objectives

As explained at the beginning of this work[i], the research problem that forms the basis of the present study is the following:

- Are the current managerial methodologies and praxes in the corporate performance evaluation and reporting field adequate to address the urgency of the sustainability challenge?

The two research questions, derived from the research problem, are as follows:

- What is the state of the art with regard to the most important initiatives (that is, tools, standards, guidelines, and so on) aimed at supporting companies in managing social, environmental and sustainability performance?
- What are the current corporate approaches to sustainability evaluation and reporting?

Thus, the research objectives are the following:

- advancing the collaborative enterprise perspective, underpinned by the recognition of the strategic value of the relationships with stakeholders;

[i] See the Introduction.

- making a broad review of the most important initiatives in the social, environmental and sustainability performance management field;
- undertaking a deep and innovative analysis, according to a stakeholder framework, of the current corporate practices in the sustainability evaluation and reporting field;
- on the basis of the results previously achieved and in order to reconnect theory and practice, defining a set of proposals to further improve methodologies and practices.

The research described in the previous chapters has addressed the basic problem by answering the two research questions and has achieved the established objectives.

To further clarify what has been done, in the next section the path followed in the research and detailed in the thesis is presented. After that, trustworthiness and limits of the analysis, strengths of and main contributions delivered by the study, and possible new research avenues opened by the inquiry are discussed. Finally, some concluding theoretical and practical remarks are presented.

6.2 The Path Followed

The present research project started from the following premises:

1) The current pattern of development is unsustainable. In the first chapter evidence of the overall unsustainability of the current global pattern of development is provided.
2) Innovative managerial approaches and tools are needed to change the course. The still ruling competitive model (Porter, 1979, 2008), according to which firms have to

grow despite and against others, including nature, society, and future generations, is deeply unsustainable and unethical (Ghoshal, 2005; Ghoshal and Moran, 2005). In the first chapter a new paradigm, based on a collaborative perspective, is advanced as a possible basis for a brand new and definitely alternative theory of the firm.

Specifically, the collaborative model opens new research avenues at different levels:

- Individual (individual level).
- Firm (micro level).
- Districts, clusters, industries, and sectors (meso level).
- The economy as a whole (macro level).

Especially at the firm level, one of the most interesting research challenges is represented by the definition of appropriate corporate performance management tools capable of going beyond a narrow and exclusive focus on the financial bottom line and addressing a broader, multidimensional definition of success.

Corporate success cannot be measured in accordance with a shareholder perspective, but by adopting a more holistic and comprehensive stakeholder framework. Firms need to map and monitor their entire set of stakeholder relationships according to a multiple bottom line approach (Perrini and Tencati, 2006; Tencati and Zsolnai, 2009).

The two research questions informing the current study derive exactly from this perspective:

- What is the state of the art with regard to the most important initiatives (that is, tools, standards, guidelines, and so on) aimed at supporting companies in managing social, environmental and sustainability performance?
- And, what are the current corporate approaches to sustainability evaluation and reporting?

Therefore, the purpose of the research was to understand whether the current methodologies and praxes are able to capture and assess the different relationships that companies develop with their stakeholders in an explicit, clear and complete way.

Furthermore, in order to address the relevance gap (Aram and Salipante, 2003) and reconnect theoretical considerations with business needs, what emerged from the analysis was the knowledge basis for the development of a methodology aimed at improving management practices in the corporate sustainability evaluation and reporting field[ii].

Chapter 2 addressed the first research question of the study by providing a comprehensive map of the most important proposals and solutions in the corporate performance management and reporting field, that is, by providing a comprehensive 'literature review'.

In order to address the second research question I decided to adopt an interpretive perspective detailed in the third chapter.

Through theoretical sampling, I purposefully selected sixteen companies at the forefront of the sustainability challenge, that is, leaders from different sectors and

[ii] See chapter 5 and, in particular, section 5.3.

different countries, which, because of their profiles and activities, could provide a global picture.

The most recent social/CSR/sustainability reports (considered as the fundamental element of the information system to evaluate the corporate sustainability performance and support the firm-stakeholder dialogue) published by these firms and available to the public on corporate web sites (together with other connected documents) have been analyzed through a qualitative content analysis to assess the quality of the reporting/the quality of the information provided.

The recording instrument, based on a set of KPIs organized according to a stakeholder framework[iii], was a tool used not to count words or sentences but mainly to address the following questions:

- Are the different pieces of information (that is, the indicators) available?
- Are the different stakeholder groups covered?
- What is the quality (that is, clarity, completeness, understandability, effectiveness, and so on) of the information delivered by the firms through their reporting activities?

[iii] The coding categories – the pieces of information checked for every company through the recording instrument – amounted to 105.

6.3 Trustworthiness of the Analysis

As previously described[iv], if in a quantitative study the criteria to assess the quality of research are typically validity, reliability, and generalizability, in an interpretive method like the qualitative content analysis, criteria differ. Those advanced by Lincoln and Guba (1985) are the following[v]:

credibility;

transferability;

dependability, and

confirmability.

Trustworthiness can be achieved and the related criteria can be assured by demonstrating a long experience in the field, conducting persistent observation and iterative analyses, seeking negative or contradictory examples, searching for confirmatory data through triangulation, providing supporting examples for the conclusions drawn, and discussing the results with peers and members of the community under study (Bradley, 1993; Cohen and Crabtree, 2006b; Julien, 2008).

[iv] See chapter 3, sections 3.3 and 3.4.

[v] See chapter 3, paragraph 3.3.2.

More specifically, the researcher who has carried out the analysis is an experienced scholar with more than twenty years of activity in the social/environmental/sustainability reporting field.

I identified the companies in 2009 and tracked their reporting activities over the years. In the summer of 2011, a pilot study was conducted on a sample of seven companies, and this allowed verification of the robustness of the adopted approach and consolidation of the interpretive method. In order to avoid biases, the analysis of a corporate report and of the related documents (e.g., other corporate documents, pages of the firm's web site, and so on) was conducted on an iterative basis. After this pilot study and a further collection of materials useful for the research purposes, in summer and autumn of 2013 the most recent social/CSR/sustainability reports published by the selected firms were analyzed. Again, an iterative process of continual analysis, comparison, further review, and so on, was conducted according to a circular scheme. The goal of the analysis was not to count words or sentences, but, in coherence with the original research question, to check the quality of the reporting, that is, of the overall information provided. So, the entire work was very intensive: Around 10,000 pages of reports in English, German, French, and Italian were examined and 1,680 observations were tracked[vi].

[vi] See chapter 4, section 4.2, table 4.1 The Report Assessment Matrix.

For each company a specific report – collecting positive or negative evidence, comments and reflections – was drawn up and a final concise judgment on the overall information quality was expressed[vii].

If the main focus of the analysis was on the social/CSR/sustainability reports, other information sources such as supplemental corporate documents, including the annual reports, or relevant sections of corporate web sites were examined in order to more accurately interpret the quality of the information delivered by the firms. Therefore, triangulation of evidence was assured (Eisenhardt, 1989; Yin, 2003).

The conclusions drawn and presented in the fourth chapter[viii] are based on and supported by the evidence collected.

In the last twelve months the research findings have been discussed with other scholars, as well as corporate and NGO/CSO representatives, in different circumstances in order to gather reactions, comments, and fresh insights and further improve the analysis[ix].

Moreover, the conducted content analysis also addresses the three types of reliability defined by Krippendorff (2004)[x]:

[vii] See chapter 4, section 4.3.

[viii] See chapter 4, section 4.4.

[ix] For more on this topic, see chapter 3, paragraph 3.3.2.

[x] See, on this point, Aras and Crowther (2009b, p. 91).

stability: the pilot study that preceded the main analysis and the iterative process adopted in the inquiry assured stability;

reproducibility: the in-depth description of the methodology and of the findings achieved aims at assuring reproducibility;

accuracy: in order to assure accuracy, the coding approach presented in Perrini (2006), cited by numerous academic contributions, was used.

6.4 Limitations of the Analysis

Because of the interpretative and qualitative nature of the study, a bias in the analysis could be represented by a lack of objectivity (Zhang and Wildemuth, 2009).

However, the experience of the researcher, the rigorous procedures adopted in the inquiry (that is, the iterative process), and the evidence collected should allow the process to overcome this limitation.

Furthermore, theoretical sampling could also be considered a limit of the research. But, Eisenhardt and Graebner (2007, p. 27) point out the following:

> ‘Some readers make the faulty assumption that the cases should be representative of some population, as are data in large-scale hypothesis testing research. In other words, they ask, *How can the theory generalize if the cases aren’t representative?*

> A key response to this challenge is to clarify that the purpose of the research is to develop theory, not to test it, and so theoretical (not random or stratified) sampling is appropriate'.

So, the analysis is justified if it is able to develop novel and insightful propositions for further inquiry. With regard to this point, I think that the study achieved interesting and important results.

6.5 Strengths and Main Contributions of the Study

The research was able to answer the two research questions (and so to fully address the underlying research problem) by providing an insightful picture of the current methodologies and practices in the corporate sustainability and reporting field.

In fact, I have shown that, because of several and different reasons[xi] (essentially, complexity and the still prevailing focus on financial value for management tools; redundancy and incompleteness for corporate reports, and lack of innovation for both), both the most advanced methodologies and the corporate evaluation and reporting activities are not fully adequate to assess the sustainability, that is, the quality, of the corporate relationships with the different stakeholder groups. This means that they are unable to monitor and track the value created and distributed, in different forms, by the firms to the different constituencies.

[xi] See: chapter 2; chapter 4, sections 4.2, 4.3, 4.4; chapter 5, section 5.2.

This calls for new evaluation and reporting methodologies based on a stakeholder framework – on a multiple bottom line approach.

Furthermore, the interpretive work on corporate sustainability reports[xii] was able to go beyond simplistic assumptions in the content analysis and focus on quantitative and computer-aided methods (Pickering, 2004), to give again a central role to the personal skills of the researcher.

So, to summarize, by accomplishing the research objectives the thesis has provided the following original contributions:

1) The introduction of the collaborative paradigm[xiii], based on a relational/stakeholder view of the firm, which recognizes the strategic value of the linkages with stakeholders. The collaborative perspective opens to a new theory of the firm and new research avenues that challenge the very deep foundations of the still prevailing competitive model. One of the most important research implications regards the measurement of corporate success, that is, the need for new evaluation and reporting systems framed around a multiple bottom line approach: 'In short, a real and total value balance sheet mindset needs to be embraced and managed – not just a financial one' (Young, 2013).
2) A broad and up-to-date review of the most important standards and tools[xiv] aimed at managing, controlling, evaluating, and reporting the social, environmental and

[xii] See chapter 4 and chapter 5, section 5.2.

[xiii] See chapter 1.

[xiv] See chapter 2.

sustainability performance of companies, in order to understand the current state of the art in the field.

3) A deep analysis, according to a stakeholder framework, of the current practices in reference to corporate sustainability evaluation and reporting[xv]. The investigation focused the attention on sixteen leading companies at the forefront of the sustainability challenge, from four crucial industries (i.e., four firms per each of the four industries: banks, retailing, telecommunications, and utilities). In comparison with previous contributions in this area, the investigation is characterized by depth (that is, the number of items checked for every company), breadth (the number of stakeholders and documents/information sources covered), and complexity because of the interpretive nature[xvi].

4) The SERS[2] proposal[xvii], which outlines an innovative scheme of integrated reporting based on a stakeholder framework[xviii]. This comprehensive proposal, also through the use of a contingency-based logic in the identification of the relevant stakeholder

[xv] See chapter 4.

[xvi] See chapter 3.

[xvii] See chapter 5.

[xviii] To better appreciate the innovativeness of the proposal, see the following academic contributions on the current trends with regard to sustainability/integrated reporting and accounting for sustainability: Bebbington and Larrinaga (2014); Çalişkan (2014); Frias-Aceituno *et al*. (2014); Gray (2010); Hahn and Lülfs (2014); Jensen and Berg (2012); Mori *et al*. (2014); Spence and Rinaldi (2014); Tschopp and Huefner (2014); Tschopp and Nastanski (2014); Unerman and Chapman (2014).

categories, aspects, and key performance indicators[xix], could contribute to overcoming the limits of the current methodologies and practices[xx] and provide an interesting platform for a global multi-stakeholder discussion aimed mainly at supporting the SMEs' efforts towards sustainability[xxi].

6.6 New Research Avenues

One of the most interesting results that I have found in the analysis is the emerging isomorphism in the evaluation and reporting practices, which determines uniformity and, thus, a lack of innovation[xxii].

This issue deserves further attention, and additional qualitative studies could extend the investigation to other industries and deepen the inquiry by considering more firms per sector.

After or in parallel with that, this hypothesis could be tested via quantitative studies, also taking into consideration the factors that could influence isomorphism (for example, the role of the reporting standards, characteristics of the financial markets,

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[xix] With regard to this topic, an interesting contribution is provided by Stubbs and Rogers (2013), who criticize uniformity of standards in the ESG field.

[xx] Including a conventional idea of comparability, based on a standardized set of criteria and KPIs: see, for example, on this issue, Global Reporting Initiative (2013b, 2013c). As argued and shown in the present research, it should be replaced by a more interpretive approach.

[xxi] See section 6.7.

[xxii] See chapter 4, section 4.4. See also chapter 5, section 5.2.

presence of influential rating agencies or consulting firms, and so on) and the (coercive, mimetic, and normative: Contrafatto, 2014; DiMaggio and Powell, 1983) processes that could lead to isomorphism.

6.7 Final Reflections

The discussion on which role firms and their management should play in society and for what and whom the value created by a firm exists has continued since the Berle−Dodd debate on corporate accountability (Adams *et al*., 2011; Carroll *et al*., 2012, pp. 168-171; Devinney, 2011; Macintosh, 1999), passing through the contributions by Levitt (1958), Toynbee (1958), Friedman, (1962, 1970), Jensen and Meckling (1976), Porter (1979, 2008), Rappaport (1986, 1998), Jensen (2001), Sundaram and Inkpen (2004), and Cragg and Matten (2011), and those by Carroll (1979, 1991, 1999), Mintzberg (1983, 2007a, 2007b), Freeman (1984, 2010), Mulligan (1986), Elkington (1994, 1997, 2004), Donaldson and Dunfee (1994, 1999, 2000a, 2000b), Donaldson and Preston (1995), Clarkson (1995), Kelly (2001, 2012), Porter and Kramer (2002, 2006, 2011), and Elkington *et al*. (2006), and arriving at the very recent B Corporation phenomenon (Hollender and Breen, 2010).

After all, a merely financial interpretation of the firm and its purposes is still prevailing (Patel, 2009; Sandel, 2012), but what we strongly need is a more comprehensive, holistic, multidimensional view, able to take into account business functioning and personal attitudes. For this reason, the concept of collaborative enterprise, underpinned by a relational/stakeholder view of the firm, was introduced. Through this perspective, it is possible to overcome the negativistic view of human nature at the basis of the Homo oeconomicus construct[xxiii] and to stress that individuals and firms show prosocial behavior in 'real life' and note that this disposition can be successful not only from a financial standpoint but also according to a broader multiple bottom line approach.

Therefore, this paradigm shift from a competitive to a collaborative model calls for a redesign or, better yet, an innovative design of appropriate management tools capable of capturing the real value created by firms.

From this standpoint, we also need to recognize that people do not think in terms of triple bottom line or different forms of capital; people behave and talk in terms of relationships with other people, that is, in terms of stakeholders. The same idea of social capital (de Blasio and Sestito, 2011) is a sort of visual representation of the strength and value of stakeholder relationships.

Unfortunately, the most advanced and recent methodologies seem unable to provide a reliable and complete framework, for different reasons[xxiv]:

- some, such as the G4 just released, are still based on an incomplete and artificial triple bottom line agenda (Milne and Gray, 2013); furthermore, this approach – with several indicators and a formal, standardized, procedural approach – is very difficult

[xxiii] See chapter 1.

[xxiv] See chapters 2 and 5.

and complicated for small and medium-sized companies, which form the greater part of the economic system all over the world, to implement (Sapelli, 2013)[xxv];

- others, such as the integrated reporting defined by the IIRC and SASB, give a preeminent position to financial interests and are based on the concept of capitals in line with accounting practices mainly focused on financial capital.

In parallel, the current business practices seem unable to provide stakeholders with a concise, clear, reliable picture of corporate performance[xxvi].

Therefore, I proposed the SERS^2 methodology[xxvii], based on a stakeholder framework, in order to control and manage the overall corporate performance. The core elements of this proposal are the Integrated Report, the Integrated Information System, and the Key Performance Indicators for Corporate Sustainability.

The integrated report is framed around stakeholder categories, and KPIs are used to assess the sustainability, that is, the quality, of stakeholder relationships. Furthermore, the approach identified is contingency-based (Cadez and Guilding, 2008; Scherer *et al*., 2013): This means that a standardized 'one best way' does not work.

Also inherent in the analyzed social/CSR/sustainability reports, even if most of the companies adopted the GRI Guidelines, the indicators elaborated by the firms to meet the same information requirements were different because of varying interpretations, boundaries of analysis, measures, conversion factors, and so on.

[xxv] See chapter 5 and, in particular, note xxvii.

[xxvi] See chapter 4.

[xxvii] See chapter 5.

Thus, in the SERS[2] proposal, every firm has to define its own specific set of stakeholders, aspects, and indicators, especially through well-designed stakeholder engagement processes (Unerman and Bennett, 2004).

Simplistic solutions do not exist and the current isomorphism in sustainability reporting[xxviii] has led to less than convincing results[xxix]. For this reason, we expect a change in mindset and attitude, in particular from the financial community: We need to overcome a prevailing focus on financial measures (with insufficient attention given to other kinds of standardized information) to reach a broader analysis of corporate performance truly capable of combining, integrating, and understanding different – that is, financial, non-financial, qualitative, quantitative (physical and technical) and economic-monetary – information, augmented by the dramatically increasing possibilities for collecting and processing 'big data' (George *et al*., 2014).

In any case, in order to manage, facilitate, and orient this evolution and build a consistent path towards more sustainable practices, it is possible to imagine a multistakeholder process at the global level, similar to what happened with the elaboration of ISO 26000[xxx] or of the Guiding Principles on Business and Human

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[xxviii] See chapter 4, section 4.4. See also chapter 5, section 5.2.

[xxix] For an interesting examination of the corporate practices in sustainability accounting and sustainability management control, see Bennett *et al*. (2013).

[xxx] See chapter 2, section 2.4.7. The author of the thesis was one of the six Italian experts nominated by UNI, the Italian national standard body, to serve on the ISO Working Group on Social Responsibility. Furthermore, he was the only Italian expert to become a member of the Drafting Team of the ISO 26000 standard.

Rights by the Special Representative of the United Nations Secretary-General[xxxi], and endorsed by institutions such as the United Nations or ISO, to define sector guidelines for stakeholder-based integrated reporting. They should not comprise a binding tool but could simply represent a support, especially intended for micro, small, and medium-sized organizations, in order to make the integrated reporting or, at a first level, the internal adoption of KPIs, easier and more feasible.

These multistakeholder global frameworks could truly represent an impetus for positive, worldwide change.

[xxxi] See chapter 2, table 2.1.

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Appendix

The KPIs of the CSR-SC Project

Source: Perrini *et al*. (2006); Perrini and Tencati (2008); Tencati *et al*. (2004)

Table A.1 CSR-SC Project: complete list of indicators

Categories, aspects and indicators		C/A	X	Y
1.	**Human Resources**			
1.1.	*Staff composition*			
1.1.1.	Category	A		■
1.1.2.	Age	A		■
1.1.3.	Seniority in grade	A		■
1.1.4.	Geographic origin	A		■
1.1.5.	Nationality	A		■
1.1.6.	Contract type	A		■
1.1.7.	Level of education	A		■
1.2.	*Turnover*			
1.2.1.	Employment policies	A	■	
1.2.2.	Permanent employees and non-permanent employees	A		■
1.2.3.	Employment termination (by kind of contract)	A		■
1.3.	*Equal opportunity*			
1.3.1.	Gender ratio (managerial staff and executives)	A		■
1.3.2.	Salary by Gender (also by category and seniority in grade)	A		■
1.3.3.	Policy for people with disabilities and minorities in general	C	■	■
1.4.	*Training*			
1.4.1.	Training projects (by kind)	A	■	
1.4.2.	Training hours by category (net of contractual or legal training hours)	C		■
1.4.3.	Internships	A		■
1.5.	*Working hours by category*	A		■
1.6.	*Schemes of wages*			
1.6.1.	Average gross wages	A		■
1.6.2.	Career paths	A	■	■
1.6.3.	Incentive systems	A	■	■
1.7.	*Absence from work*			
1.7.1.	Days of absence	A		■
1.7.2.	Causes	A	■	
1.8.	*Employees' benefits*	C	■	■
1.9.	*Industrial relations*			
1.9.1.	Compliance with the rights of free association and collective bargaining	A	■	■
1.9.2.	Percentage of trade union members among employees	A		■
1.9.3.	Other considerations (hours of strike, participation in the company's government, and so on)	A	■	■

C = Common indicators; **A** = Additional indicators
X = Qualitative indicators; **Y** = Quantitative indicators

Categories, aspects and indicators		C/A	X	Y
1.10.	*In-house communications*	A	■	
1.11.	*Occupational health and safety*			
1.11.1.	Inquiries and diseases	C	■	■
1.11.2.	Projects	A	■	
1.12.	*Employee satisfaction*			
1.12.1.	In-house employee satisfaction surveys	A	■	■
1.12.2.	Projects	A	■	
1.13.	*Protection of workers' rights*	C	■	
1.13.1.	Child labor	A	■	■
1.13.2.	Forced labor	A	■	
1.14.	*Disciplinary measures and litigation*	A		■
2.	**Shareholders/Members and Financial Community**			
2.1.	*Capital stock formation*			
2.1.1.	Number of shareholders by share type	A		■
2.1.2.	Segmentation of shareholders by category	A	■	■
2.2.	*Shareholders'/Members' remuneration (share indicators and ratios)*			
2.2.1.	Earning per share	A		■
2.2.2.	Dividends	A		■
2.2.3.	Price/earning per share	A		■
2.2.4.	Others (e.g., allowance, contributions to mutual funds)	A	■	■
2.3.	*Stock price fluctuation*	A		■
2.4.	*Rating*	A	■	■
2.5.	*Shareholders' participation in the governance and protection of minorities*	*A*		
2.5.1.	Existence of independent directors inside the BoD	A	■	■
2.5.2.	Existence of minority shareholders inside the BoD	A	■	■
2.5.3.	Occurrence of BoD meetings	A	■	■
2.5.4.	Others (e.g., compliance with self-regulatory measures)	A	■	
2.6.	*Benefits and services for shareholders*	A	■	
2.7.	*Investor relations*			
2.7.1	Communication and reporting activities	C	■	
2.7.2.	Institutional presentations and documents	A	■	
2.7.3.	Road show	A	■	■
2.7.4.	One-to-one meetings	A	■	■
2.7.5.	Communications on the Internet	A	■	■
2.7.6.	Others	A	■	■

C = Common indicators; **A** = Additional indicators
X = Qualitative indicators; **Y** = Quantitative indicators

Categories, aspects and indicators		C/A	X	Y
3.	**Customers**			
3.1.	*General characteristics*			
3.1.1	Division of customers by category	A	■	■
3.1.2.	Division of customers by kind of offer	A	■	■
3.2.	*Market development*			
3.2.1.	New customers	A	■	■
3.2.2.	New products/services	A	■	■
3.3.	*Customer satisfaction and customer loyalty*			
3.3.1.	Customer-satisfaction-oriented initiatives (research, measurement, usability research, call centre and queries, and so on)	A	■	■
3.3.2.	Customer-loyalty-oriented initiatives	A	■	■
3.4.	*Product/service information and labeling (safety, LCA, voluntary initiatives)*	C	■	■
3.5.	*Ethical and environmental products and services (public utility)*	A	■	■
3.6.	*Promotional policies (respect of self-regulatory codes)*	A	■	■
3.7.	*Privacy*	A	■	■
4.	**Suppliers**			
4.1.	*Supplier management policy*	C	■	■
4.1.1.	Division of suppliers by category	A	■	■
4.1.2.	Supplier selection	A	■	■
4.1.3.	Communication, awareness creation and information	A	■	■
4.2.	*Contractual terms*	C	■	■
5.	**Financial Partners**			
5.1.	*Relations with banks*	A	■	
5.2.	*Relations with insurance companies*	A	■	
5.3.	*Relations with financial institutions (e.g., leasing companies)*	A	■	

C = Common indicators; **A** = Additional indicators
X = Qualitative indicators; **Y** = Quantitative indicators

Categories, aspects and indicators		C/A	X	Y
6.	**State, Local Authorities and Public Administration**			
6.1.	*Taxes and duties*	A	■	■
6.2.	*Relations with public institutions*	A	■	
6.3.	*Codes of conducts and rules for compliance with laws*			
6.3.1.	Codes of conducts and rules for compliance with laws and internal auditing systems	C	■	
6.3.2.	Conformity verification and inspections	A	■	■
6.4.	*Contributions, benefits or easy-term financing*	A	■	■
7.	**Community**			
7.1.	*Corporate giving*	C	■	■
7.2.	*Direct contributions in the various intervention fields*			
7.2.1.	Education and training	C	■	■
7.2.2.	Culture	C	■	■
7.2.3.	Sport	C	■	■
7.2.4.	Research and innovation	C	■	■
7.2.5.	Social solidarity (international solidarity too)	C	■	■
7.2.6.	Others (e.g., volunteering, community daycare, and so on)	C	■	■
7.3.	*Communications and engagement of the community (stakeholder engagement)*	C	■	
7.4.	*Relations with the media*	A	■	■
7.5.	*Virtual community*			
7.5.1.	Contacts (characteristics and analysis)	A	■	■
7.5.2.	Security	A	■	
7.5.3.	Relation management systems	A	■	■
7.6.	*Corruption prevention*	C	■	
8.	**Environment**			
8.1.	*Energy and materials consumption, emissions*	C	■	■
8.1.1.	Energy consumption	A	■	■
8.1.2.	Water consumption	A	■	■
8.1.3.	Raw materials, MRO and packaging	A	■	■
8.1.4.	Air emission	A	■	■
8.1.5.	Water emission	A	■	■
8.1.6.	Waste management	A	■	■
8.2.	*Environmental strategy and relations with the community*	A	■	■

C = Common indicators; **A** = Additional indicators
X = Qualitative indicators; **Y** = Quantitative indicators

A. KEY PERFOMANCE INDICATORS' DETAILS

1.	**Human Resources**
1.1.	*Staff composition*
1.1.1.	Category
1.1.2.	Age
1.1.3.	Seniority in grade
1.1.4.	Geographic origin
1.1.5.	Nationality
1.1.6.	Contract type
1.1.7.	Level of education
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Description of the company profile in terms of employee' composition. Emphasis is on the connections between staff composition and the local community.
Measurement procedure	The percentage of employees (of the grand total) by category, geographic origin (region or municipality according to the size of the company and the social context), nationality, level of education. Average age and seniority of employees (if applicable, divided into specific categories). For complete data for this indicator, refer to the Collective Labor agreement/s with employees. In the event of further labor agreements, please indicate the distribution of employees among the various agreements and the relevant criteria.

1.	**Human Resources**
1.2.	*Turnover*
1.2.1.	Employment policies
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Review of the company's employment policies.
Measurement procedure	Description of the company's employment policies (employment, career advancement, improvement in employee' loyalty, and so on).

1.	**Human Resources**
1.2.	*Turnover*
1.2.2.	Permanent employees and non-permanent employees
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Quantification of the percentage of permanent and non-permanent employees in the company.
Measurement procedure	Measure the number of non-permanent employees in the company divided into categories (e.g., free-lancers, continued employment, temporary workers, other recently introduced forms of employment). Calculate the percentage of permanent and non-permanent employees of the total of both categories of employee. Briefly describe the activities for which companies frequently use non-permanent employees.

1.	**Human Resources**
1.2.	*Turnover*
1.2.3.	Employment termination (by kind of contract)
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Measurement of the methods most often used to terminate the employment relationship.
Measurement procedure	Number of termination cases for each of the last three years out of the average number of employees for each year. Termination of the employment relationship by category (dismissal, resignation, retirement, and so on).

1.	**Human Resources**
1.3.	*Equal opportunity*
1.3.1.	Gender ratio (managerial staff and executives)
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Measurement of the extent to which equal opportunity policies are applied by the company.
Measurement procedure	Percentage of men and women according to employment category:-manager or executive.

1.	**Human Resources**
1.3.	*Equal opportunity*
1.3.2.	Salary by Gender (also by category and seniority in grade)
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Explanation of the correct implementation of the equal treatment policy by focusing on average salaries of women and men.
Measurement procedure	Gross annual salary for managers and executives, gross annual salary for male managers and executives, gross annual salary for female managers and executives in the last three years. These data will be divided into seniority categories, if applicable.

1.	**Human Resources**
1.3.	*Equal opportunity*
1.3.3.	Policy for people with disabilities and minorities in general
Relevance	**Nature**
Common	Quantitative and qualitative
Explanatory remarks	This broad indicator covers all considerations connected to disabled persons and the protection of minorities, with reference to both in-house personnel (employees, external workers, outsourced personnel)~~,~~ and structural and logistic considerations (e.g., elimination of architectural barriers).
Measurement procedure	Number of actions and summary description of them. Total expenses. Total expenses on Value Added (VA). Disabled employees (permanent and non-permanent) or employees belonging to minority groups considered in relation to the total of employees (percentage and absolute value).

1.	**Human Resources**
1.4.	*Training*
1.4.1.	Training projects (by kind)
Relevance	**Nature**
Additional	Qualitative

Explanatory remarks	This indicator monitors the training investment (net of the contractual or legal training hours) implemented by the firm to develop individual professional skills, without gender discrimination (category, sex, and so on).
Measurement procedure	Description of ongoing projects with the number of employees involved, and for terminated projects, the results achieved. Funding or easy terms for each project, if applicable.

1.	**Human Resources**
1.4.	*Training*
1.4.2.	Training hours by category (net of contractual or legal training hours)
Relevance	**Nature**
Common	Quantitative
Explanatory remarks	Monitoring of the company's training investment (net of the contractual or legal training hours) to develop individual professional skills, without gender discrimination (category, sex, and so on).
Measurement procedure	Hours/employee (divided by sex). Expenses borne for external courses on the Added Value. Training hours (in-house + outside) – hours of training that are contractually compulsory/number of employees and assimilated workers.

1.	**Human Resources**
1.4.	*Training*
1.4.3.	Internships
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Monitoring whether the company accepts internships and evaluating the effectiveness of this training tool.
Measurement procedure	Number of internships per year. Percentage of employees of the annual total of apprentices. Workers coming from internships programs (held in the last three years in the firm) divided according to type of contract (training, fixed-term contract, and so on).

1.	**Human Resources**
1.5.	*Working hours by category*
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Specification of working hours and different shifts scheduled by the firm.
Measurement procedure	Working hours for each category. Average overtime per week, per head, per category. Average overtime per head per category during the busiest week.

1.	**Human Resources**
1.6.	*Schemes of wages*
1.6.1.	Average gross wages
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Measurement of wage criteria set by the company.
Measurement procedure	Average gross wage per category. Minimum gross wage for each category of the collective labor agreement enforced.

1.	**Human Resources**
1.6.	*Schemes of wages*
1.6.2.	Career paths
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Explanation of career-path and career-advancement policies of the company.
Measurement procedure	Description of the policies on career advancement, career opportunities and personnel evaluation criteria and methods. Number of grade advancements implemented last year. Number of career advancements (e.g., from manager to executive, from employee to manager, and so on) last year. Number of managers coming from in-house career paths.

1.	**Human Resources**
1.6.	*Schemes of wages*
1.6.3.	Incentive systems
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Examination of the company's incentive programs.
Measurement procedure	Description of implemented incentive programs. Number of employees who benefited from incentive tools last year. Average per-capita value of implemented incentives

1.	**Human Resources**
1.7.	*Absence from work*
1.7.1. 1.7.2.	Days of absence Causes
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Calculation of the occurrence of absences and determination of the most widespread causes.
Measurement procedure	Number of total hours of absence in one year. Number of average per-capita hours of absence in one year. Percentages of causes of absence (disease, trade-union leave, paid holidays, medical examination, paid leave, unpaid leave, and so on).

1.	**Human Resources**
1.8.	*Employees' benefits*
Relevance	**Nature**
Common	Quantitative and qualitative
Explanatory remarks	Definition of different ways to improve the company's ambience and employees' quality of life (and that of relevant families). It excludes fringe benefits (e.g., luncheon vouchers, company car, mobile phone). Examples: in-house kindergarten, flexible hours, tax counseling, possibility of accommodations for employees (e.g., near the production site), and so on

Measurement procedure	Number of initiatives. Expenses borne on VA. Number of employees involved in the total.

1.	**Human Resources**
1.9.	*Industrial relations*
1.9.1.	Compliance with the rights of free association and collective bargaining
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Description of the company's policies for ensuring compliance with ILO Conventions on industrial relations. Specifically, measurement of actions concerning the company's branching abroad.
Measurement procedure	Description of the relevant actions carried out by the company, with particular attention to the branches abroad. Description of the policies and activities carried out in compliance with ILO Conventions concerning the rights to organize (trade union freedom) and collective bargaining which are not translated into binding local rules.

1.	**Human Resources**
1.9.	*Industrial relations*
1.9.2.	Percentage of trade union members among employees
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Analysis of the presence of trade unions in the company.
Measurement procedure	Number of trade union members compared with the total number of employees.

1.	**Human Resources**
1.9.	*Industrial relations*
1.9.3.	Other considerations (hours of strike, participation in the company's government, and so on)

Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Measurement of interaction between the company and trade unions.
Measurement procedure	Description of initiatives under way promoted by the company or trade union representatives. Hours of strike per year and percentage of strikers among employees.

1.	**Human Resources**
1.10.	*In-house communications*
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Definition of the communication activities implemented by the company (newsletters, intranet, informal communication means for employees to send comments and remarks to managers, and so on).
Measurement procedure	Brief description of initiatives carried out, with information on the employees' satisfaction and amount of media usage.

1.	**Human Resources**
1.11.	*Occupational health and safety*
1.11.1.	Injuries and diseases
Relevance	**Nature**
Common	Quantitative and qualitative
Explanatory remarks	Verification of the company's commitment to the reduction of risk for the workers' safety and health.
Measurement procedure	injury frequency rate and injury severity rate (see INAIL) (sector benchmarking based on adequately examined INAIL statistics). Projects implemented. Examples: introduction of a real System of Health and Safety Management in the workplace that, beyond ensuring the compliance with law, allows for a better general performance over time.

1.	**Human Resources**
1.11.	*Occupational health and safety*
1.11.2.	Projects
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Description of the company's commitment to minimize risks to workers' safety and health.
Measurement procedure	Description of the projects carried out to reduce accidents, beyond the activities to ensure compliance with binding laws.

1.	**Human Resources**
1.12.	*Employee satisfaction*
1.12.1.	In-house employee satisfaction surveys
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Listing of the initiatives carried out by the company to monitor personnel satisfaction.
Measurement procedure	Description of initiatives adopted. Percentage of answers obtained on the total number of employees involved in each initiative. Summary of results.

1.	**Human Resources**
1.12.	*Employee satisfaction*
1.12.2.	Projects
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Description of the company's commitment to enhancing personnel-satisfaction.
Measurement procedure	Descriptions of carried-out projects.

1.	**Human Resources**
1.13.	*Protection of workers' rights*
Relevance	**Nature**
Common	Qualitative
Explanatory remarks	Description of the company's structure at the international level to ensure compliance with ILO Conventions
Measurement procedure	Description of the localization of production and commercial subsidiaries or affiliated companies abroad (joint ventures included). Description of the activities carried out in relation to ILO Conventions that are not translated into binding local laws.

1.	**Human Resources**
1.13.	*Protection of workers' rights*
1.13.1.	Child labor
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Description of the company's policies for ensuring compliance with ILO Conventions – specifically quantifying the number of minors employed. Measurement of company actions, relative to its production and commercial branches abroad, to monitor the hiring of minors in working activities.
Measurement procedure	Number of children employed divided by age. Description of the policies and activities implemented according o ILO Conventions on child labor not translated into binding laws.

1.	**Human Resources**
1.13.	*Protection of workers' rights*
1.13.2.	Forced labor
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Explanation of the company's policies that ensure compliance with ILO Conventions specifically assessing the actions carried out by the company to fight against forced labor in its branches abroad.

Measurement procedure	Description of the policies and activities implemented by the company to prevent forced labor in its branches abroad. Description of the activities carried out according to ILO Conventions concerning the forced labor that is not legislated against in binding local laws.

1.	**Human Resources**
1.14.	*Disciplinary measures and litigation*
Relevance	**Nature**
Common	Quantitative
Explanatory remarks	Analysis of the impact of disciplinary measures on the company.
Measurement procedure	Number of disciplinary measures adopted in the last 3 years, divided by kind (written warning, fine, lay-off and so on). Number of appeals to these measures and outcomes. Number of actions brought forward by employees.

2.	**Shareholders/Members and Financial Community**
2.1.	*Capital stock formation*
2.1.1.	Number of shareholders by share type
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	Knowing and monitoring the performance over time of the company's assets
Measurement procedure	Historical series, 3 years at least.

2.	**Shareholders/Members and Financial Community**
2.1.	*Capital stock formation*
2.1.2.	Segmentation of shareholders by category
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Description of the participation in the share capital by companies and individuals.

Measurement procedure	Annual audit (for 3 years at least) of the company's structure divided by kind of shareholder: kind of companies, their control and location, geographic origin of individuals, and so on

2.	**Shareholders/Members and Financial Community**
2.2.	*Shareholders'/Members' remuneration (share indicators and ratio)*
2.2.1. 2.2.2. 2.2.3.	Profit per share Dividends Price/profit per share
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	❑ Earning per share ❑ Dividends ❑ Price/Erning per share Analysis of the behavior and condition of companies, in terms of their capability to create and distribute wealth over time.
Measurement procedure	Historical series, 3 years at least.

2.	**Shareholders/Members and Financial Community**
2.2.	*Shareholders'/Members' remuneration (share indicators and ratio)*
2.2.4.	Others (e.g., allowance, contributions for mutual funds)
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Wide indicator for co-operative companies that should include all the shareholders' payment schemes implemented by co-operative following the mutual approach.
Measurement procedure	Direction of financial resources to shareholders on VA. Presentation of the different shareholders' payment schemes. Example: beyond allowances, large-scale retail traders carry out some initiatives for the shareholders (for example, particular promotions, sale promotions, and so on).

2.	**Shareholders/Members and Financial Community**
2.3.	*Stock price fluctuation*
Relevance	**Nature**
Additional	Quantitative
Explanatory remarks	In the case of an unlisted company, understanding the degree of investor confidence in the future of the company.
Measurement procedure	Charting, with the monthly closing of the share, of maximum and minimum fluctuations and their relation to the monthly closing rating of the reference stock exchange market.

2.	**Shareholders/Members and Financial Community**
2.4.	*Rating*
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	This indicator is linked to the company's reliability as an investment-receiver. High ratings conferred by an independent third party suggest a low risk level for investors who are attracted to grant credits/capital stocks.
Measurement procedure	Timing of performance (3 years at least) of the rating scale according to previously determined and public criteria.

2.	**Shareholders/Members and Financial Community**
2.5.	*Shareholders' participation in the governance and protection of minorities*
2.5.1.	Existence of independent directors inside the Board of Directors (BoD)
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Verification of the real control power of the BoD in relation to the members holding operational/managerial proxies.
Measurement procedure	Percentage of the number of "independent" directors relative to the total. List of powers.

2.	**Shareholders/Members and Financial Community**
2.5.	*Shareholders' participation in the governance and protection of minorities*
2.5.2.	Existence of minority shareholders inside the BoD
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Description of the protection of minority shareholders through an adequate degree of representation inside the BoD.
Measurement procedure	Percentage of counselors representing minority shareholders relative to the total of the BoD members.

2.	**Shareholders/Members and Financial Community**
2.5.	*Shareholders' participation in the governance and protection of minorities*
2.5.3.	Occurrence of BoD meetings
Relevance	**Nature**
Additional	Quantitative and qualitative
Explanatory remarks	Monitoring of the real participation of shareholders in the company's management.
Measurement procedure	Accomplishments of the number of meetings per year.

2.	**Shareholders/Members and Financial Community**
2.5.	*Shareholders' participation in the governance and protection of minorities*
2.5.4.	Others (e.g., compliance with self-regulatory measures)
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Description of the governance methods that enhance the general participation of shareholders and foster non-discriminatory policies.
Measurement procedure	Initiatives carried-out, self-regulatory codes, deontological codes protecting minorities.

2.	**Shareholders/Members and Financial Community**
2.6.	*Benefits and services for shareholders*
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Description of the involvement practices regarding shareholders beyond the return on investment and economic prospects (e.g., shareholders who are also customers/co-workers).
Measurement procedure	Description of the privileges reserved for shareholders (e.g., discounts, special promotions, reserved products, and so on)

2.	**Shareholders/Members and Financial Community**
2.7.	*Investor relations*
2.7.1.	Communication and reporting activities
Relevance	**Nature**
Common	Qualitative
Explanatory remarks	Description of the regular flow of information to shareholders/members and the collection of remarks, suggestions, and requirements.
Measurement procedure	Description of the number of initiatives implemented each year and methods of implementation.

2.	**Shareholders/Members and Financial Community**
2.7.	*Investor relations*
2.7.2.	Institutional presentations and documents
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Controlling for adequate flow of information relevant for investors (financial statements, news on the media, brochures, advertising activities, and so on)
Measurement procedure	Description of the initiatives and their occurrence (on a 3-year basis).

2.	**Shareholders/Members and Financial Community**
2.7.	*Investor relations*
2.7.3.	Road show
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Verification of the communications with stakeholders to enhance their surroundings, and reduce the discomfort, of displacements
Measurement procedure	Number of initiatives, their occurrence and coverage of national/international territory.

2.	**Shareholders/Members and Financial Community**
2.7.	*Investor relations*
2.7.4.	One-to-one meetings
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the company's attendance at investors' meetings so as to obtain direct feedback, listen to their expectations, address any dissatisfaction.
Measurement procedure	Number of meetings\number of shareholders.

2.	**Shareholders/Members and Financial Community**
2.7.	*Investor relations*
2.7.5.	Communications on the Internet
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the importance of Internet communications with investors.
Measurement procedure	Description of the initiatives on the company's website and their development with time, and-of user areas for shareholders and members in which information, economic performances, forecasts and comparisons relevant to budgets are listed.

2.	**Shareholders/Members and Financial Community**
2.7.	*Investor relations*
2.7.6.	Others
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Description of communications specifically confined to shareholders and investors who are put into contact with other stakeholders during one or more open days to find out their expectations, degree of satisfaction and worries related to risks.
Measurement procedure	Number of initiatives and their description.

3.	**Customers**
3.1.	*General characteristics*
3.1.1.	Division of customers by category
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Provision of more detailed information on the company's customers, to improve the efficiency and effectiveness of customer management and to better detect needs and priorities. Analysis of customers and their division into categories.
Measurement procedure	Number of customers by category. Table of customers divided into categories, including the most recent occasions of updating and testing/updating.

3.	**Customers**
3.1.	*General characteristics*
3.1.2.	Division of customers by kind of offer
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Provision of information about management of customer to better measure their needs/expectations and priorities.

Measurement procedure	Number of customers according to kind of offer. Table of customers categorized according to kind of offer, last instance of updating and testing/updating.
3.	**Customers**
3.2.	*Market development*
3.2.1.	New customers
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Completion of the profile of the company's activities and reference market by requiring the measurement and description of new customers (new customers on the market and/or customers of competitors), by offering to help measure new market niches and planning strategies to increase already-launched activities and/or develop new initiatives.
Measurement procedure	Measurement of the amount and quality of new customers acquired, with remarks and comments.

3.	**Customers**
3.2.	*Market development*
3.2.2.	New products/services
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the company's readiness to "read and listen to" customer and market needs and to translate these needs/expectations into plans and developments for new products/services. Monitoring of the improvement/renewal/evolution process of the company over time.
Measurement procedure	Expense on VA (divided into market research, development, production). Number of projects related to new products/services.

3.	**Customers**
3.3.	*Customer satisfaction and customer loyalty*
3.3.1.	Customer-satisfaction-oriented initiatives (research, measurement, usability research, call centre and queries, and so

	on)
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory Remarks	Evaluation of the company's follow-up activities while analyzing and measuring the degree of customer satisfaction, with the goal of meeting customer expectations, presenting and solving problems of dissatisfaction, creating tougher relationships and developing new market opportunities. Resulting need for a method to measure customer relationship and management with tools appropriate to the company's activities, services/products and customer categories (call center, queries services, recurring meetings, and so on) and effective and efficient methods of data handling.
Measurement procedure	Number of actions to measure customer satisfaction/perception. Number of customer actions/requests. Number of customer actions/queries Benchmark

3.	**Customers**
3.3.	*Customer satisfaction and customer loyalty*
3.3.2.	Customer-loyalty-oriented initiatives
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of how the company interacts with customers and listens to/answers their requests/expectations by finding ways to consolidate and increase their loyalty.
Measurement procedure	Loyalty curve according to client/category with distinction between: repeated requests for services/products and requests for other products/services that differ from those generally purchased. Term of contracts. Expenses for loyalty-increase activities/overhead.

3.	**Customers**
3.4.	*Product/service information and labeling (safety, LCA, voluntary initiatives)*
Relevance	**Nature**

Common	Qualitative and quantitative
Explanatory remarks	Evaluation of the company's commitment to creating products/services that protect customer and consumer interests and to ensuring transparent communications on quality, environmental impact and safety of products. Reference is made to the methods used to study and describe the products, to communicate their correct usage, to voluntary initiatives (e.g., *Ecolabel*, *Environmental Product Declaration*, mark of conformity of organic food, S*ocial Labels* like *Fair Trade*, and so on) that go beyond simple compliance with the laws in force. These are declarations, rendered by the company on a voluntary, accurate and measurable basis.
Measurement procedure	List of the products/services with the above-mentioned characteristics. Percentage, for "labeled" products/service, of the total turnover. Examples: in the case of banks, one could refer to particular products (ethic funds, bank charges or interests partially allocated to charity) and to information mechanisms that go beyond basic rules and laws.

3.	**Customers**
3.5.	*Ethical and environmental products and services (public utility)*
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Focus on the detailed attention paid to the supply of services/products with clear and measurable ethical and environmental value.
Measurement procedure	Number of ethical/environmental products and services/total of products and services. Expense for research, production, maintenance of ethical/environmental products and services/overhead. Profits from ethical/environmental products and services/total of products and services

3.	**Customers**
3.6.	*Promotional policies (respect of self-regulatory codes)*
Relevance	**Nature**

Additional	Qualitative and quantitative
Explanatory remarks	Measurement of company methods of promoting its products/services with detailed attention to the thoroughness of information, respect for existing or potential customers, ethical/environmental principles
Measurement procedure	Expenses for/profits from promotional activities.

3.	**Customers**
3.7.	*Privacy*
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Analysis of the activities to protect privacy, with reference to customer-data and behaviors that go beyond simple compliance with the laws in force. Companies are therefore asked to activate tools/procedures that meet this requirement and also to inform customers (or whoever asks customers for authorization to use the data with a detailed description of the usage aims and methods) of products/services to which laws do not make specific reference (e.g., fidelity cards, etc).
Measurement procedure	Investments in privacy-protection actions. Number of products/services subject to privacy-protection laws /total number.

4.	**Suppliers**
4.1.	*Supplier management policy*
Relevance	**Nature**
Common	Qualitative and quantitative
Explanatory remarks	Description of direct suppliers (particularly suppliers relevant to the company's core business) and of the company's policies to inform them about and involve them in CSR, environmental and safety issues (e.g., location of the production activities and compliance with ILO conventions by direct suppliers).
Measurement procedure	Selection criteria for direct suppliers and others connected with the company's core business, aimed at involving them in and informing them about the company's CSR environ-

	mental and safety issues. Initiatives to involve them in and inform them about CSR, environmental and safety issues.

4.	**Suppliers**
4.1.	*Supplier management policy*
4.1.1.	Division of suppliers by category
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Evaluation of the company's actions to detect, select and manage in the most effective and efficient way its suppliers, and also to better detect supplier needs and requests.
Measurement procedure	Number of suppliers by category.

4.	**Suppliers**
4.1.	*Supplier management policy*
4.1.2.	Supplier selection
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Evaluation of research activities and selection of suppliers, also considering the management and implementation systems of company products and services (e.g., quality system management, environment, safety, social responsibility) and/or signed procedures and policies. Specific attention is paid to suppliers that have the most impact on the characteristics (quality, environment, safety, ethical-social considerations) of the company's products/services that are expected of all companies. Non-EU suppliers are requested to carry out a detailed analysis and careful management, particularly of the sites of developing countries: specifically, suppliers are requested to check for the existence of and compliance with ILO and international-convention-protection policies.
Measurement procedure	Number of suppliers by category with management system/total. Number of suppliers with non-EU sites by category.

4.	**Suppliers**
4.1.	*Supplier management policy*
4.1.3.	Communication, awareness creation and information
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Focus on the company's policies and activities aimed at: • Informing suppliers about the policies, principles and procedures adopted by the company to protect quality, sustainability, respect for environment and ethical-social principles; • Creation of awareness among suppliers of the need to respect ~~of~~ these principles and implement parallel procedures and policies.
Measurement procedure	Number of suppliers that actively comply with these principles/total suppliers. Number of educational activities

4.	**Suppliers**
4.2.	*Contractual terms*
Relevance	**Nature**
Common	Qualitative and quantitative
Explanatory remarks	Evaluation of company's procedures for paying suppliers. This could be divided into the categories of invoice amounts and terms of payment (deadlines), to precisely highlight company policies.
Measurement procedure	Payment terms and relevant national benchmarking.

5.	**Financial Partners**
5.1.	*Relations with banks*
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Specification of criteria used to select the partner (e.g., ethical behaviors, employment schemes, profit sharing) and the ways in which the company's risk profile is communicated.
Measurement procedure	Certified evaluation of the partner, company's risk information. Description of selection criteria.

5.	**Financial Partners**
5.2.	*Relations with insurance companies*
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Specification of the criteria used to select the partner (e.g., ethical behaviors, employment schemes, profit sharing) and the ways in which the company's risk profile is communicated.
Measurement procedure	Insurance company's rating, information on the financial statement, company's criteria for analysis of the business and financial risks.

5.	**Financial Partners**
5.3.	*Relations with financial institutions (e.g., leasing companies)*
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Description of the company's proactive behaviors in the stakeholder category (e.g., preliminary evaluation of ethical behaviors, profits allocation and management policies).
Measurement procedure	Adopted evaluation procedures.

6.	**State, Local Authorities and Public Administration**
6.1.	*Taxes and duties*
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the wealth produced and allocated by the company, in different forms and to public subjects, to better understand the company's contribution to territorial development.

Measurement procedure	Quantification of different taxes (regional tax on productive activities, corporate income tax, local property tax, stamps and duties) as absolute values and as a percentage of the AV.

6.	**State, Local Authorities and Public Administration**
6.2.	*Relations with public institutions*
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Analysis of the existing relationships between the company and public institutions, by describing involvement and/or partnership activities. For example, compliance with voluntary or program agreements on specific initiatives of economic (territorial development), environmental and social value.
Measurement procedure	Description of initiatives, relevant targets and state of implementation (on a 3-year basis).

6.	**State, Local Authorities and Public Administration**
6.3.	*Codes of conduct and rules for compliance with laws*
6.3.1.	Codes of conduct and rules for compliance with laws and internal auditing systems
Relevance	**Nature**
Common	Qualitative
Explanatory remarks	Evaluation of explicit policies and in-house auditing systems (adopted on a voluntary basis) to ensure compliance with laws.
Measurement procedure	Adoption of codes of conduct and in-house rules and implementation of relative control systems.

6.	**State, Local Authorities and Public Administration**
6.3.	*Codes of conduct and rules for compliance with laws*
6.3.2.	Conformity verification and inspections
Relevance	**Nature**
Additional	Qualitative and qualitative
Explanatory remarks	Measurement of the company’s compliance with the laws in force so as to verify the consistency of declared behaviors

	(codes of conduct, ethical codes, policies, and so on) with implemented behaviors.
Measurement procedure	Number and kind of inspections by authorities and challenging of failures to comply.

6.	**State, Local Authorities and Public Administration**
6.4.	*Contributions, benefits or easy-term financing*
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Checking of whether the company was granted various kinds of public benefits and financing.
Measurement procedure	Description of the procedures to apply for funds, to plan funded activities, to implement activities and report them (on a 3-year basis). Description of funded projects and results achieved.

7.	**Community**
7.1.	*Corporate giving*
Relevance	**Nature**
Common	Qualitative and quantitative
Explanatory remarks	Review of the company's commitment to socially relevant activities (for example, with reference to solidarity, culture, school, and environmental regeneration) through donations and other gifts.
Measurement procedure	Expenses on VA. Description of beneficiary institutions and relative initiatives.

7.	**Community**
7.2.	*Direct contributions in the various intervention fields*
7.2.1.	Education and training
7.2.2	Culture
7.2.3.	Sport
Relevance	**Nature**

Common	Qualitative and qualitative
Explanatory remarks	Measurement of the company's commitment to socially relevant activities carried out in the education field (e.g., organization of training courses in schools on social/environmental issues or promotion of courses that train skilled professionals) and/or cultural ones (organization of cultural events) and/or sports activities (sponsoring of sports events with positive social impact on the community, for example, through involvement of a large youth population).
Measurement procedure	Expenses on VA or turnover. Description of initiatives implemented.

7.	**Community**
7.2.	*Direct contributions in the various intervention fields*
7.2.4.	Research and innovation
Relevance	**Nature**
Common	Qualitative and qualitative
Explanatory remarks	Evaluation of the company's commitment in the field of research and innovation. In particular, innovation may concern production processes (operations, logistics, information handling, and so on) and products. It is clear that this commitment positively affects the company's competitiveness and its value, that is, the value of its economic capital. However, innovation also has a wider value: the company's efforts in this direction aim to ensure its sustainability, that is, its endurance, by creating values for stakeholders and the community in general, thus contributing to the development of the country. Comparison with national (and European) statistics by homogeneous-size categories.
Measurement procedure	Expenses on VA or turnover. Description of research projects.

7.	**Community**
7.2.	*Direct contributions in the various intervention fields*
7.2.5.	Social solidarity (international solidarity too)
Relevance	**Nature**

Common	Qualitative and qualitative
Explanatory remarks	Measurement of the company's commitment in the field of social solidarity (assistance, health, interventions in favor of groups and/or disadvantaged groups, and so on) also at the international level. For example, direct investment in developing countries (hospitals, nursery schools, schools or other interventions for local economic development) or, still at the local level, actively sponsoring activities in home help programs for the elderly, or recovery programs for drug addicts, and so on.
Measurement procedure	Expenses on VA or turnover. Initiatives carried out.

7.	**Community**
7.2.	*Direct contributions in the various intervention fields*
7.2.6.	Others (e.g., volunteering, community daycare, and so on)
Relevance	**Nature**
Common	Qualitative and qualitative
Explanatory remarks	Measurement of the company's commitment in the field of social responsibility through initiatives different from those above. Examples: voluntary charity services promoted by companies, start-up of asylums also serving the external community, environmental regeneration where needed, and so on.
Measurement procedure	Expenses on VA or turnover. Number of hours devoted to the activity.

7.	**Community**
7.3.	*Communications and engagement of the community (stakeholder engagement)*
Relevance	**Nature**
Common	Qualitative
Explanatory remarks	Measurement of communication activities and involvement of stakeholders, particularly of those in the community (citizens, NGOs, media, and so on). Some examples could be such as "Open Factories and Plants", the organization of public presentations of social reports or sustainability reports,

	structured dialogues with stakeholders to select the indicators to measure the company's performance, and so on.
Measurement procedure	Description of the activity of communication/dialogue and involvement carried out by the companies for the sake of the stakeholders.

7.	**Community**
7.4.	*Relations with the media*
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Analysis of the relationships between the company and the media (press, television, radio). Measurement of the company's degree of disclosure and the amount of attention paid to requests from the media.
Measurement procedure	Number of press conferences held and object of the initiatives. Costs/investment in the relationship with the media on the VA and the turnover. Existence of organizational units for the management of media relations.

7.	**Community**
7.5.	*Virtual community*
7.5.1.	Contacts (characteristics and analysis)
Relevance	**Nature**
Additional	Qualitative and qualitative
Explanatory remarks	In light of the increasing importance of the Internet and digital technologies, examination of the number, profile and characteristics of the subjects who address the company by using the Web.
Measurement procedure	Existence of a company's portal/site (kind and characteristics). Number of average daily contacts. Monitoring of the characteristics of users who visit the company's site.

7.	**Community**
7.5.	*Virtual community*
7.5.2.	Security
Relevance	**Nature**
Additional	Qualitative
Explanatory remarks	Methods to protect sensible information (personal data, payment terms and references, and so on) beyond that provided by the privacy act.
Measurement procedure	Description of the projects carried out by the company to protect the interests of users (customers, suppliers, other stakeholders) who interact with the company on the Internet.

7.	**Community**
7.5.	*Virtual community*
7.5.3.	Relation management systems
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Monitoring of the systems that manage the relationships with stakeholders carried out through the Internet (e.g., on-line forum, informative campaigns, targeted services, and so on)
Measurement procedure	Descriptions of initiatives carried out and results achieved.

7.	**Community**
7.6.	*Corruption prevention*
Relevance	**Nature**
Common	Qualitative
Explanatory remarks	Evaluation of explicit in-house self-control policies and systems to avoid corrupt practices and, in general, unethical behaviors.
Measurement procedure	Adoption of self-regulatory codes and in-house rules.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
Relevance	**Nature**
Common	Qualitative and quantitative
Explanatory remarks	Measurement of the company's commitment in the field of environmental sustainability in terms of reduction, beyond the limits imposed by applicable laws, of the consumption of raw materials (input) and pollutants (output, that is, air emissions, water dumping, noise, waste, and so on).
Measurement procedure	Number of initiatives developed to minimize the company's environmental impact (processes, products, etc) and relevant targets for improvement. Description of the activities to train and sensitize the personnel. Examples: Investments in a system of water return to reduce the usage of water resources in the plant, or replacement of hazardous raw materials with lower-impact products.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
8.1.1.	Energy consumption
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the quantity of energy resources used by the company for different purposes (energy efficiency) and of the use of renewable sources of energy, if applicable. Data on a 3-year basis.
Measurement procedure	TOEs directly used for organizational activities: total in absolute values and indexed according to productive or economic standards, based on the kind of organization, for example: • TOEs/tons of output x manufacturing sector • TOEs/number of employees x utility and service companies TOEs directly used for related activities (travels, transport of goods, product life-cycle, usage of high-intensity energy raw materials), represented as above. Number of initiatives and brief description of them as a further specification of what was stated above in the set of common indicators, aimed at:

	• Use of renewable resources (wind, waste to energy, biomass, photovoltaic, geothermal systems) • Increase in energy efficiency Total investment/VA.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
8.1.2.	Water consumption
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the quantity of water resources used by the company for different purposes according to the source. Data on a 3-year basis.
Measurement procedure	Cubic meters used for the organization's activities: total in absolute value and indexed according to productive and economic standards based on the kind of organization, for example: • m3/tons of output x manufacturing sector • m3/number of employees x utility and service companies • % of re-used/recycled water resources calculated as a recycled quantity/(collected quantity + recycled quantity) Total m3 used divided by kind of source Number of re-usage/recycle initiatives and brief description of them. Total investment/VA.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
8.1.3.	Raw materials, MRO and packaging
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the quantity of raw materials and packaging used by the company for its output divided by macro-class (if applicable, to show the environmental friendliness).

	Data on a 3-year basis.
Measurement procedure	• % of raw materials, consumable materials and packaging derived from recycled material/total consumed • % of raw materials, consumable materials and packaging with eco-labeling /total consumed. • total consumption/output. Number of initiatives to save raw materials and packaging and use of environmentally friendly raw materials and packaging; brief description of them Total investment/VA.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
8.1.4.	Air emission
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the quantity of air emissions (from pollutants and widespread substances) divided by kind of effect on the environment (for example, green-house effect, detrimental for the ozone layer). Data on a 3-year basis.
Measurement procedure	Total emitted tons of NO_x, SO_2, dusts, VOC and other meaningful emissions and characteristics of the processes. Total emitted tons of CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and total tons expressed in CO_2 equivalent. Total emitted tons for each group of pollutant (in case of green-house gases) or for single pollutant indexed on productive or economic standards according to the kind of organization, for example: • tons of VOC equivalent/tons of output x manufacturing sector • tons of CO_2 equivalent/number of employees x utility and services companies Tons of hazardous substances for the ozone layers and total tons emitted into the atmosphere (CFCs, trichloroethane, and so on). Emissions deriving from direct activities (e.g., production) and indirect activities (e.g., transport) shall be considered. Number of initiatives aimed at reducing air emissions or at compensation (e.g., reforestation initiatives); brief description of them. Total investment/VA.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
8.1.5.	Water emission
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the quantity of substances dumped into water or into the municipal or syndicated sewage system, divided by kind. Data on a 3-year basis.
Measurement procedure	Total dumped kg of total nitrogen, phosphor, chlorides, BOD, COD, metals and other remarkable substances and characteristics of the processes. Total dumped kg for each group of pollutant or for single pollutant indexed on productive or economic standards according to the kind of organization, for example: • kg of COD/tons of output x manufacturing sector • kg of BOD/number of employees x utility and services companies Number of initiatives aimed at reducing waste dumping and the relevant pollutant concentration; brief description of them. Total investment/VA.

8.	**Environment**
8.1.	*Energy and materials consumption, emissions*
8.1.6.	Waste management
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Measurement of the quantity of waste produced by the organization divided according to kind (at least assimilated to urban, special and hazardous waste) and destination (disposal, recovery, recycling). Data on a 3-year basis.
Measurement procedure	kg of waste produced by category (assimilated to urban, special, hazardous waste) and indexed based on productive or economic standards according to the kind of organization, for example: • kg produced/tons of output x manufacturing sector

	• kg produced/number of employees x utility and services companies. Percentage (%) of waste sent to re-usage/recycle by category Kg of waste sent to disposal by kind of disposal. Number of initiatives aimed at reducing and recovering/recycling waste; brief description of them. Total investment/VA.

8.	**Environment**
8.2.	*Environmental strategy and relations with the community*
Relevance	**Nature**
Additional	Qualitative and quantitative
Explanatory remarks	Evaluation of the definition of an environmental strategy and of activities to inform and involve the stakeholders, as well as the policies adopted to implement the ~~be~~ best environmental standards/tools. Some examples could be initiatives of dialogue with environmental associations, the organization of public presentation of the environmental report, structured processes of confrontation with stakeholders to formulate the indicators to measure the company's environmental performance, etc
Measurement procedure	Description of the adopted environmental strategy and the activities of communication/dialogue and involvement carried out by the companies and aimed at the stakeholders. Description of environmental tools adopted. Description of the environmental strategy adopted in developing countries.