



To what extent the impact of a CSR policy and practice on employee engagement depend on the forms taken by the policy itself?

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Abstract

The paper “To what extent the impact of a CSR policy and practice on employee engagement depend on the forms taken by the policy itself?” has been written by Alessia Capra, with the supervision of Professor Olivier Saulpic. Its objective is to establish whether it exists a mere difference of the employees’ workforce sentiment implications deriving from different forms of CSR activities and in which terms these latter differ. Because prior literature has focused on the relationship of CSR and customer perceptions and little research has been devoted to exploring the effects onto primary stakeholders, this paper aims at filling this gap. This mere focus on employees’ internalization of CSR perceptions is driven by the consideration of workers as both key enablers and beneficiaries of CSR. Specifically, prior literature has observed that both a substantive involvement in CSR activities and a strong ESG reporting practice produce positive and complementary workforce impacts. If a remarkable CSR action-program impacts on a more internal workforce perspective, ESG reporting gives rise to external personnel implications. Indeed, the former leads to build a strong employees psychological and behavioral attachment, while the latter induces greater attractiveness in engaging with the current and future workforce. Through the collection and analysis of corporate interviews, a common thread was drawn: a voluntary CSR action-based program contributes in enhancing organizational engagement and attachment by leveraging on the policy meaning and employees’ organizational identity, while a remarkable mandatory ESG reporting induces employees’ satisfaction and represents a competitive advantage for talent attractiveness and retention.

Abstract

O documento "Em que medida o impacto de uma política e prática de RSE no envolvimento dos trabalhadores depende das formas tomadas pela própria política?" foi escrito por Alessia Capra, com a supervisão do Professor Olivier Saulpic. O seu objectivo é estabelecer se existe uma mera diferença das "implicações do sentimento da força de trabalho dos trabalhadores decorrentes das diferentes formas de actividades de RSE e em que termos estas últimas diferem. Uma vez que a literatura anterior se tem centrado na relação entre a RSE e as percepções dos clientes e pouca investigação tem sido dedicada à exploração dos efeitos sobre as partes interessadas primárias, este documento visa preencher esta lacuna. Este mero enfoque na internalização das percepções de RSE por parte dos trabalhadores é impulsionado pela consideração dos trabalhadores como facilitadores fundamentais e beneficiários da RSE. Especificamente, a literatura anterior observou que tanto um envolvimento substancial em actividades de RSE como uma forte prática de relato dos ESG produzem impactos positivos e complementares da força de trabalho. Se um programa de acção de RSE notável tiver impacto numa perspectiva de força de trabalho mais interna, os relatórios dos ESG dão origem a implicações de pessoal externo. De facto, o primeiro leva a construir uma forte ligação psicológica e comportamental dos trabalhadores, enquanto o segundo induz uma maior atractividade no envolvimento com a força de trabalho actual e futura. Através da recolha e análise de entrevistas empresariais, foi traçado um fio condutor comum: um programa voluntário baseado em acções de RSE contribui para reforçar o envolvimento e apego da organização, ao alavancar o significado da política e a identidade organizacional dos empregados, enquanto que um notável relatório obrigatório de ESG induz a satisfação dos empregados e representa uma vantagem competitiva para a atracção e retenção de talentos.

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Introduction

"If we had been further progressed in meeting the Sustainable Development Goals and the Paris Agreement on Climate Change, we would have been much more capable of addressing this challenge: social development and betterment of communities in emergent countries, fewer gender inequalities, and a healthier natural environment as well as sustainable resilient companies would have all enabled us to better counteract this pandemic through a united sustainable strength ." These words have been spoken by António Guterres, United Nations Secretary General during the United Nation High-level Political Forum in 2021, where he discussed the importance and necessity of a remarkable sustainable development to restart, rebuild and improve the emergency and global circumstances. Indeed, Guterres believed that if we were better committed to the SDGs' achievements and were significantly progressing in those terms, states and nations would have been prepared enough to counteract and combat COVID-19. However, as the United Nation High-level Political Forum brought to everyone's attention, the pandemic represents a "late lesson" for early warning and a wake-up call to strengthen international collaboration towards a sustainable development. ¹ Indeed, as stated within the OECD Policy Responses to Coronavirus, "a return to 'business as usual' and environmentally destructive investment and activities must be avoided". While a "build-back better" strategy must be prioritized, where well-being and inclusiveness shall be central to this approach and alignment with long-term emission reduction goals, factoring in resilience to climate impacts, slowing biodiversity loss and increasing circularity of supply chains are other key dimensions.² Hence, it appears intuitive and necessary to accelerate the shift towards sustainable practices for a more resilient economy, where significant efforts in deploying and investing in authentic CSR programs and ESG reporting are crucial for this transition. ³ Consequently, the performance of a company is no longer only perceived from a mere economic and financial point of view but also in regard to its environmental and social impact internally and towards its stakeholders' ecosystem. According to the academic literature, this broader meaning of corporations strongly impacts employees' internal behavior, as when they perceive authentic CSR efforts from their organizations, they are positively impacted in terms

¹ President of ECOSOC, United Nation High-level Political Forum, 2021

² OECD Policy Responses to Coronavirus, 2020

³ "Building Back Better" in practice, OECD Policy Responses to Coronavirus, 2020

of organizational commitment, attachment and satisfaction. Then, the question arises to what extent the impact of a CSR policy and practice on employee engagement depend on the forms taken by the policy itself. Specifically, some think CSR voluntary action-based programs induce and enhance employees' organizational commitment and attachment, others think that remarkable positions in ESG mandatory reporting performance raise employees' satisfaction and talent attractiveness and retention power. This analysis will begin by reviewing the literature on this subject. Eventually, we will outline our research question as well as its methodology. Finally, we will rely on a field study to highlight conclusive remarks and observations for our research purposes.

Literature Review

In order to identify a relevant research question as well as the framework in which its research question is situated, a review of the academic literature on CSR development and ESG reporting as well as employees' perception and commitment is proposed. After having defined the most important terms for our research, an intense deepening on both CSR as well as ESG reporting policies currently in place within the European context will be followed. A definition and differentiation between the two topics will be given to understand how these two practices impact employees' perspective and engagement. Specifically, after having defined CSR and its origins, I will first provide an overview of the 2014/95/EU Directive, providing clarifications of its requirements, its addressees and most of all its purposes, to then discuss the importance of NFR's implementation and its multiple benefits with respect to enterprises, customers and most importantly employees. Later on, we will have a closer look at the several theories and evidences developed on the relationship between CSR corporate commitment as well as ESG reporting practices with employees' organizational engagement. This literature review on CSR and ESG reporting aims at ensuring a comprehensive overview on the different impacts of these two practices in terms of work attitude on employees.

1.1 Definition of Terms

First, it is important to focus on the definition of the terms "CSR", "ESG reporting" and how they relate to corporate and employees' "commitment". Indeed, this clarification is necessary for a better understanding of the research topic and will simplify the comprehension of the proposed literature review.

1.1.1 Definition and origins of CSR

Corporate Social Responsibility formally entered into the agenda of the European Union since the European Council of Lisbon in March 2000, where it was introduced and considered as one of the strategic tools for building a more competitive and socially cohesive society to modernize and strengthen the European social model⁴. One of the first definitions of Corporate Social Responsibility at European level was given in 2001 by the Green Paper presented by the European Commission, which defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”⁵. In 2011, the definition of CSR was updated by the European Commission through the publication of “A renewed EU strategy for Corporate Social Responsibility 2011-2014”, which defined CSR as “the responsibility of enterprises for their impact on society”⁶. To fully meet their social responsibility, enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders. Through this communication, the EU aimed at underlying the double purpose of CSR. First, the maximization of the creation of shared value for both corporate shareholders and stakeholders by adopting a long-term strategic approach to this matter, and by exploring the opportunities for developing innovative products, services and business models that contribute to societal wellbeing. Second, the identification, prevention and mitigation of corporate adverse impacts by carrying out risk-based due diligence, reporting practices and the monitoring of KPIs and specific industry’s indicators. The updated CSR definition addressed that the actions towards society and the environment taken by companies over and above their legal obligations were not only in the interest of the enterprises and their employees, but also in the interest of the society as a whole. Indeed, if on one hand a strategic approach to CSR could bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity⁷, favoring the establishment of a long-term employee trust as a basis for sustainable business models; on the other, through CSR, companies assist the European Union’s treaty objectives of sustainable development of a highly competitive market economy. Despite CSR EU’s policy being built on 2011 Renewed Strategy

⁴ CSR Unioni Camere

⁵ Green Paper, Promoting a European framework for Corporate Social Responsibility, presented by the EC in 2001

⁶ Communication from the Commission, A renewed EU strategy 2011-14 for Corporate Social Responsibility

⁷ Communication from the Commission, A renewed EU strategy 2011-14 for Corporate Social Responsibility

for Corporate Social Responsibility and the communication from the EC aimed at aligning European and Global approaches to the matter, CSR is perceived and implemented differently by each enterprises and nations. In addition, CSR represents a very broad topic, which brings together several matters, such as human rights, corporate governance, health, safety, working conditions for employees, contribution to economic and social development and the activities' impacts on the environment. Whichever definition is considered, the ultimate objective of CSR consists of driving the business world towards a more sustainable economy and growth.

Although Corporate Social Responsibility has recently become a very popular trend, evidence of CSR can be tracked back to mid-to-late 1800s' concerns and practices, originating during the First Industrial Revolution. The concept of CSR gained momentum in the late 1950-60s. The term Corporate Social Responsibility originated in the United States of America, when it was first coined in 1953 by the American economist H.R. Bowen in his comprehensive discussion "Social responsibilities of the businessman" where he described economic actors as ethically binding to promote those economic policies and behavioral practices 'desirable' for society.⁸ When in 1960s social responsibilities' discussions began to capture attention of academic literature and of scholars, the economist Milton Friedman defended the free market, stating that the only corporate social responsibility is "to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."⁹ Friedman shareholders' doctrine was based on capitalism, and believed that the sole responsibility and concern of companies is to make and increase profits for their shareholders; therefore, in conformity to Friedman shareholders' theory, businesses had no real 'social responsibilities' towards their communities, and consumers. Criticism of Friedman's position sustained that the market should have been analyzed under a broader perspective, according to which corporate profits should create a benefit for the society as a whole. The opposition to Friedman's shareholders theory came during the 1980s, when Evan and Freeman released their stakeholders' doctrine, presented in Freeman's classic book published in 1984. According to this new current of thoughts, there is an interconnected relationship between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization; and therefore, a firm should create value for all its stakeholders, not only its

⁸ Carroll, A.B. 1999. "Corporate Social Responsibility: Evolution of a Definitional Construct." Business Society

⁹ Capitalism and Freedom by Friedman (1962)

shareholders. Indeed, according to Freeman, all individuals or groups that have a legitimate interest or a legitimate claim to the company fall within this group of stakeholders. In the 1970-80s, another approach to CSR spread alongside the stakeholder theory: the theory of social contracts which anciently viewed that persons' moral and/or political obligations are dependent upon a contract or agreement among them to form the society in which they live. The formula of social contracts within a business context is used to explain and justify the status of companies within the society¹⁰ as it is based on the idea that enterprises function because of "public consent" as they have obligations to constructively serve the needs of society. More specifically, Donaldson was the first one to consider the relationship between the market and companies in terms of the Lockean type of contract. According to the American philosopher, there is an implicit contract between society and businesses. When a company starts operating within a specific community, it assumes some responsibilities and commitments towards it¹¹. These commitments are the foundations of the implicit contract. If on one hand the society enables the free economic actions of the company, on the other hand, the company must commit itself to respect the expectations of the community, which, according to Donaldson, concern the improvement of the general wellness through "the satisfaction of consumers and respect for workers' interests"¹². The contractual theory supported by Donaldson had an important impact on CSR literature since it offered a theoretical basis for the concept of corporate moral responsibility. Within the same decade, the new theoretical approaches to CSR went beyond the previous narrower focus and aimed to develop more comprehensive frameworks that incorporate operational and behavioural aspects of corporate endeavour, relate the corporation to its external environment, and ground CSR theory. This brought to the emergence of different CSR models. A CSR model is a self-regulating business model that helps businesses to be socially responsible and being accountable, to their stakeholders and to the public. More specifically, during the 1990s, CSR approval was widespread also because of the publications of "Corporate Social Performance Revisited" by professor Donna J. Wood, which expanded and improved CSR models by providing a framework for assessing the impacts and outcomes of CSR programs, and of "The Pyramid of Corporate Social Responsibility" by Georgia Archie B. Carroll, which instead defined the four different types (economic, legal, ethical and philanthropic) of responsibility a company has.

¹⁰ Freeman e Werhane

¹¹ Freeman e Werhane

¹² Donaldson, T. 1982. *Corporations and Morality*. Englewood Cliffs, N.J.: Prentice Hall, p.44ff

Although the idea of considering the company as a citizen and individual was already released by Davis during 1970s, the concept of corporate citizenship has recently gained momentum due to a number of factors, which include the welfare crisis, the phenomenon of globalization and the one of the related deregulations. The founding principle of this theory is based on the analogy of the citizenship's concept valid for citizens. However, from a company perspective, the concept of citizenship is limited to the economic activities carried out by the company within a given social and political community. In this sense, the idea of citizenship is intended to emphasize the company's obligation to support and cooperate with the government for the general social wellness and justice¹³. The development of all these theories and models worldwide contributed in leading more companies in rooting their business strategies around CSR to build competitive advantage over competitors. Through the digital age, CSR topics and ESG matters boosted in terms of awareness and sensibilization all over the world. In the 2010s, CSR has seemingly pivoted yet again with sustainability taking centre stage as climate change and environmental concerns has been at spotlight and as consensus has emerged over the belief that businesses exist to provide value for all stakeholders, including society at large. Nowadays, CSR practices and policies take multiple forms within organizations, such as voluntary initiatives and actions programs. Because there is no common guideline on CSR practices, it is key to understand how these different forms of CSR practices induce different employees working sentiment implications. This would enable to detect to which extent the impact of CSR practice on employees' engagement depend on its forms with respect to reporting practices to eventually maximize effects on employees' work behaviour.

1.1.2 ESG Reporting

Alongside to CSR corporate engagement, companies have committed also to ESG Reporting. As corporate sustainability, social and diversity efforts are fast transitioning from voluntary to mandatory at country level, businesses seems to play a significant role in contributing to the advancement of industry sustainable and social objectives by embedding responsible practices. This shift represents a significant driver for companies to develop robust sustainability through ESG transparent reporting. Hence, it is of extreme importance to distinguish CSR practices from ESG reporting policies. If CSR holds businesses accountable for their social commitment in a qualitative manner (through corporate initiatives, volunteering programs,..), ESG reporting

¹³ Freeman e Werhane

aims at measuring, quantifying and monitoring such efforts (through KPIs, ESG Reporting Framework,..).The term ESG was first coined in 2004 by the UN Secretary-General Kofi Annan and resulted in 2005 within the study “Who Cares Wins” developed by world’s largest institutional investors and banks with the aim to define recommendations for the financial industry to better integrate ESG issues in their analysis. Specifically, ESG reporting refers to the disclosure of data covering a company’s operations in three areas: environmental, social and corporate governance. It provides a snapshot of the business’s impact in these three areas for investors, customers and wider stakeholders. This specific reporting allows organisations to consider their impacts on sustainability issues and enables them to be transparent about the risks and opportunities they face. As mentioned before, ESG refers to a broad set of environmental, social and governance considerations that might impact an organization’s ability to execute a business strategy and create value. Each area reports on different matters:

- **Environmental Data:** The “E” considers how effectively and efficiently a company uses resources across its direct operations and through its supply chain. It refers to the disclosure of information on the management and monitoring of the environmental impact of the extractives industries. This includes information related to energy efficiency, carbon emissions, climate oversight, biodiversity, air and water quality, deforestation, and waste management.
- **Social Data:** The social criterion examines how a company fosters its people and culture, and how that influences the broader community. Factors considered are gender and diversity inclusion, employee engagement, working conditions, customer satisfaction, data protection, community relations, human rights, and labour standards.
- **Governance Metrics:** Corporate governance reporting reflects how corporations monitor the company’s internal system of control, actions, policies, practices and decisions, as well as the effects of their actions on their affected stakeholders. Factors considered are the company’s leadership, board composition, executive compensation, audit committee structure, internal and external assurance, bribery and corruption, lobbying and political contributions.

This exhaustive reporting aims at satisfying investors and stakeholders ‘demand on transparent disclosures about companies’ environmental, social and governmental strategies. This disclosure encompasses both qualitative reporting and quantitative metrics used to evaluate corporate ESG risks and opportunities. Nowadays, only certain large

public-interest companies are required to disclose information on how they operate and manage social and environmental matters. A comprehensive deepening on the Directive 2014/95/EU which defines the reporting guidelines on this Non-Financial information will follow in the following chapter, with a section dedicated to the European Union's proposed Corporate Sustainability Reporting Directive, which aims at extending the coverage and scope of ESG reporting requirements. However, although private companies are not required to disclose Non-Financial Information on ESG matters, they are currently reporting on these regards on a voluntary basis as they recognize the importance of communicating and sharing their sustainable business strategy to all stakeholders¹⁴. Reasons and drivers to report on ESG matters are manifold. First of all, businesses are disclosing ESG information as many investors incorporate and consider ESG factors within their investment processes. Indeed, organizations with poor corporate sustainability disclosures may be seen as risky investment propositions as ESG engagement is considered as an opportunity not only to mitigate financial risk putting conceptual tail risks in focus but also to realize new business potential by creating investment value¹⁵. Indeed, according to "Why and How Investors Use ESG Information: Evidence from a Global Survey" published by Amir Amel-Zadeh and George Serafeim in 2018, senior investors in asset-managing and asset-owning use reported ESG information for investment decision-making because of relevance to investment performance, client demand, product strategy and eventually ethical considerations.¹⁶ In addition to investors' scrutiny, business are encouraged to report on ESG matters also because of competitiveness benefits: companies that recognize the importance of adapting to changing socio-economic and environmental conditions are better able to identify strategic opportunities and meet competitive challenges also in comparison to other industry players. Moreover, companies that expose strong ESG practices and values have greater chances to employ and retain the best talent. Indeed, strong ESG propositions enhance employee motivation, by instilling a sense of purpose, while attracting new generations' talents that care to look for businesses whose values are aligned to their own. Other drivers for ESG reporting are merely related to CSR strategies and advancement that drive growth and innovation, customers

¹⁴ Study on the Non-Financial Reporting Directive, European Commission

¹⁵ Why and How Investors Use ESG Information: Evidence from a Global Survey, Amir Amel-Zadeh and George Serafeim, 2018

¹⁶ Why and How Investors Use ESG Information: Evidence from a Global Survey, Amir Amel-Zadeh and George Serafeim, 2018

preferences, cost reductions benefits, as well as reduced regulatory and legal intervention, employees' productivity uplift, and investment and asset optimization.¹⁷

1.1.3 ESG Commitment

If CSR programmes are self-regulated practices that try to communicate company's commitment towards positive impact mostly through marketing messages lacking quantifiable and comparable data validation, ESG reporting can be verified through metrics and KPIs' comparison and monitoring, bringing meaning through their specificity and incorporation of broader frameworks. However, it is important to highlight that ESG reporting could still hide incoherent and weak practices: one company can report on ESG matters, and advancement of targeted objectives while still conducting weak practices. Despite this potential scenario, companies now can track, report and share these initiatives through ESG reporting in order to go beyond surface claim of CSR practice. Moreover, if on one hand CSR varies from philanthropic causes to employees' initiatives and cannot be precisely captured in terms of commitment, ESG issues belong to the same system-based programme, being much interconnected one to another, and hence, its transparency and reporting all contribute towards one common commitment. Furthermore, if CSR was intended as a cost saving mechanism, ESG reporting acts as a strategic lever that drives towards new opportunities and enhances performance, by creating value. Because of all these above-mentioned reasons, ESG appears to be more transparent as a corporate commitment mechanism towards sustainable and social positive impact. being reported according to specific guidelines and being monitorable overtime. Furthermore, there are few principles, frameworks and tools useful in evaluating corporate commitment towards ESG matters:

- Principle of Materiality: materiality is one of the most significant principles that create and assess the content of ESG information to be disclosed within Non-Financial Statement; The principle of materiality is the principle according to which companies must draw up their sustainability reports, reflecting the organization's significant economic, environmental and social impacts; or substantively influencing the assessments and decisions of stakeholders¹⁸. By determining the relevant topics to be reported on by considering the overall corporate strategy, stakeholders' concerns, and

¹⁷ Five ways that ESG creates value, Witold Henisz, Tim Koller, and Robin Nuttall, 2019

¹⁸ GRI Standard 101:Foundation 2016

expectations in international standards and agreements with which the organization is expected to comply, the principle of materiality ensures that commitment of companies towards ESG matters is significant and relevant.

- **ESG Reporting Frameworks:** ESG frameworks are systems for standardising the reporting and disclosure of ESG metrics, and often set metrics and the qualitative elements companies shall disclose. These specificities vary among industry type and materiality's analysis. There exist several frameworks to report on ESG matters, the top five widely used ESG reporting frameworks are the Global Reporting Initiative (GRI), Carbon Disclosure Project (CDP), International Integrated Reporting, Sustainability Accounting Standards Board (SASB), Task Force on Climate-Related Financial Disclosures (TCFD) Framework. These ESG Reporting Frameworks ensure corporate clearness, transparency and long-term commitment to such reporting;
- **ESG Ratings:** ESG Ratings are designed to measure a company's resilience to long-term, industry material environmental, social and governance (ESG) risks. These ratings assign a specific score to a business based on their ESG performance by identifying industry leaders (AAA, AA) and laggards (B,CCC) according to corporate exposure to ESG risks and how well they manage those risks relative to peers. These indices track and evaluate commitment towards ESG matters overtime, and hence can be considered tools to evaluate sustainable behaviour and performance.

The proposed overview on both CSR and ESG reporting practice gives us a general outlook of the different practices corporations can embed to pursue and demonstrate their commitment towards CSR, to both internal and external stakeholders. As CSR commitment is internally shared with employees and ESG practices are applied to the disclosure of Non-Financial Statements or Integrated Reporting, which are then published or shared internally, employees are exposed to both kinds of information and commitment's advancement. Hence, it was of crucial importance defining the differences between CSR and ESG reporting practices to then define which form between these two is mostly impactful for employees.

1.2 The Directive 2014/95/EU

As specified in the previous section, ESG reporting practices take multiple forms, varying from principles to frameworks and ratings. However, the European Union (EU) Directive on Non-Financial Reporting (2014/95/EU) requires certain large companies to include non-financial

statements in their annual reports or in a separate filing from 2018 onwards, including information on environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards. The European Parliament and the Council of the European Union have adopted the 2014/95/EU Directive since 5th December 2014; however, it entered into force for all EU Member States by 6 December 2016, and since then it represents the base-guideline for all large companies to report and track their social and sustainable commitment. Member States had two years to transpose the Directive into their own national legislations. Indeed, the concerned undertakings had to comply to the Directive as of 2018, reporting non-financial statements and the compulsory relevant information related to 2017 financial year, as Article 4 of Directive 2014/95 indicated. To begin with, it is important to specify that the Directive amends the previous Directive 2013/34/EU, known as ‘Accounting Directive’, referring to “Annual financial statements, consolidated financial statements and related reports of certain types of undertakings” issued on June 26th, 2013. As indicated in the title of the previous Directive, it is noticeable that the reporting evolution that brought to develop Directive 2014/95/EU was merely driven by the focus. From financial information disclosure regulations only to the combination of non-financial information with financial one in the undertakings’ management report.

1.2.1 The Addressee

The Directive 2014/95/EU is addressed to large public-interest entities and to those public-interest entities which are parent undertakings of a large group having an average number of employees exceeding 500, in case of a group on a consolidated basis. As indicated by Directive 2013/34/EU, a large undertaking is a company exceeding two out of the three following criteria, for at least two consecutive accounting periods: a balance sheet total of EUR 20 million, or a net turnover of EUR 40 million, or average number of employees of 250.¹⁹ Instead, for a public-interest entity, is meant any entity trading transferable securities on the regulated market of any Member State, or a credit institution, or an insurance undertaking, or designated by a Member States as a public interest entity.²⁰ Companies falling within such scope encompass roughly 11,700 large organizations and groups across the EU, including both listed and unlisted companies (e.g. banks, insurance companies and other companies). These latter

¹⁹ Article 3a.(6) of Directive 2013/34/EU: Categories of undertakings and groups.

²⁰ Article 2a.(13) of the revised SAD-2006 Statutory Audit Directive; Article 2 of the 2013 Accounting Directive

were appointed by the EC because of their activities, size or number of employees. Specifically, “the Directive strikes a fine balance between reaping the benefits of enhanced transparency while avoiding any undue administrative burden, in particular for smaller companies.”²¹ In this way, the administrative burden is kept to a minimum, and costs related to the Directive are compensated by the value-creation and usefulness of the information, and with the size and complexity of the business.

1.2.2 Information to be disclosed

The enterprises falling within the above explained such company scope are required to include a non-financial statement in the management or separate report of their financial year for clarifying the undertakings’ development, performance, position and impact of their operating activities with respect to some specific matters. These latter must comprehend at minimum environmental, social and employee matters, respect for human rights, anti-corruption and bribery issues information, as stated by **Article 19a.(1)** of the Directive 2014/95/EU concerning **Non-Financial Statement**:

“1. Large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall include in the management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- (a) a brief description of the undertaking's business model;
- (b) a description of the policies pursued by the undertaking in relation to those matters, including due diligence processes implemented;
- (c) the outcome of those policies;
- (d) the principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;
- (e) non-financial key performance indicators relevant to the particular business.”²²

²¹ Frequently asked questions: Guidelines on disclosure of non-financial information, European Commission

²² Article 19a.(1) of Directive 2014/95/EU.

Specifically, the Directive requires undertakings to disclose for each of the above four matters a concise explanation of the undertakings' business model; a detailed portrayal of implemented policies related to the above-mentioned matters, including also the applied due diligence process; the outcome of those policies; the potential and most likely risks related to those matters linked to the significant company's activities, to its business relationships and network, to its products and services -which are all inclined to be sources of harmful impact-and the means undertaking exerts to manage those risks; non-financial key performance indicators relevant for specific business practices.

On the other hand, **Article 29a.(1)** of the Directive 2014/95/EU concerning **Consolidated Non-Financial Statement** and states that:

“1. Public-interest entities which are parent undertakings of a large group exceeding on its balance sheet dates, on a consolidated basis, the criterion of the average number of 500 employees during the financial year shall include in the consolidated management report a consolidated non-financial statement containing information to the extent necessary for an understanding of the group's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, including:

- (a) a brief description of the group's business model;
- (b) a description of the policies pursued by the group in relation to those matters, including due diligence processes implemented;
- (c) the outcome of those policies;
- (d) the principal risks related to those matters linked to the group's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the group manages those risks;
- (e) non-financial key performance indicators relevant to the particular business.”²³

Article 29a (1) of the Directive 2014/95/EU is addressed to all the public-interest entities that are parent companies of a group that simultaneously meets on a consolidated basis the criteria for large public-interest groups. A large public-interest group is a group consisting of parent and subsidiary undertakings which fall within the aforementioned criteria with more than 500

²³ Article 29a.(1) of Directive 2014/95/EU.

employees on average during the relevant financial year²⁴. The above reported Article requires only to parent undertakings of public-interest groups to include in their consolidated management report of the relevant financial year a consolidated non-financial statement, which must refer on a consolidated basis to the mentioned requirements and information. It is noticeable that the lists of information to which single entities and consolidated groups should refer to have the same components and contents; however, they differ in terms of the addressee.

1.2.3 Reporting Guidelines

The Directive 2014/95/EU required the European Commission to produce a set of non-binding guidelines to help Member States and enterprises embrace the required disclosure of non-financial information and diversity policies. On 26 June 2017, the EC finally published the non-binding guidelines on non-financial reporting, enabling undertakings to use them as a support tool for their incoming financial year. This guidance on reporting was aimed at facilitating concise and comparable disclosure of non-financial statements among undertakings across Member States, fostering sustainable finance. Specifically, the guidelines provide a list of high quality and broadly recognized frameworks which can be adopted by companies to report their NFI. The guidelines are not to be mandatorily adopted, and companies may choose among them according to their characteristics or business environment. Among the international listed ones, the EC mentions the UN's Global Compact, the OECD's Guidelines for Multinational Enterprises, the International Labour Organization's Tripartite Declaration of principles concerning multinational enterprises and social policy, and the Global Reporting Initiative. Additionally, it also enables the adoption for other recognized international frameworks such as the ones provided by the European Federation of Financial Analyst Societies and Accountability. The ultimate intent was the one to provide a balanced and flexible guidance on reporting NFI in order to disclose consistently and coherently material to ensure comparability across companies and sectors. In June 2019, the European Commission published a new set of guidelines on reporting climate-related information, which are to be considered as a new supplement of the existing guidelines and integrate the recommendations of the Financial stability board's taskforce on climate-related financial disclosures (TCFD) with the considerations of the forthcoming taxonomy on sustainable activities that is under

²⁴ Article 3a.(6) of Directive 2013/34/EU: Categories of undertakings and groups.

development.²⁵ Here below I will provide some further explanations on some of the International Frameworks that may be adopted in reporting Non-Financial Information.

- An International Framework undertaking may adopt in reporting its Non-Financial Statements is the **International Integrated Reporting Council (IIRC)**. Such framework was developed to foster and incentive the adoption of Integrated Reporting (IR) which is described as “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”²⁶, and focus on ensuring cohesion and efficiency in the reporting practice. Specifically, by integrating financial and non-financial information, the objective is to make clear how value-creation and information is embedded into operations and to encompass long-term decision making into the management process of the companies. Under IR framework, an undertaking links its business model, which draws on various capital and inputs (such as financial, manufactured, intellectual, human, social and relationships and natural), to its business activities, outputs and outcomes. Therefore, its ultimate aim is not strongly correlated to sustainability or NFR, but instead focuses on rendering the key value drivers of the business clearer to investors, taking into consideration also issues of the Directive. Additionally, the Federation of European Accountants believes that the adoption of the IR framework for the NFI disclosure is the most suitable since it integrates financial and non-financial information, underling the key role that materiality plays.²⁷
- The **United Nations Global Compact**’s governance framework offers a set of ten universal principles in the areas of human rights (2), labour (4), the environment (4) and anti-corruption (1) to enhance corporate sustainability. Such guidelines mainly assist the private sector and aim at reaching a responsible business landscape by aligning undertakings’ strategies and operations with their ten principles. Moreover, the framework is designed to take strategic actions to advance broader societal goals. Further details will follow in another section.
- The **OECD**’s Guidelines for Multinational Enterprises provide non-binding principles and standards for an international business conduct for multinational and domestic enterprises.

²⁵ Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)

²⁶ International IR Framework

²⁷ Federation of European Accountants, “*EU Directive on disclosure of non-financial and diversity information*”, Position paper, (2016)

The main objective is to contribute to economic, environmental and social progress with a view to achieving sustainable development.²⁸ Furthermore, the guidelines are designed to ensure harmony between organizations' operations and government policies in order to enhance confidence and trust between undertakings and societies in which they operate, to improve foreign investment climate. OECD's Guidelines comprehend eleven chapters of different matters with related commentary on disclosure; the third section is devoted to CSR matters, the fourth refers to human rights, the sixth chapter concerns the environment, while the eighth refers to bribery. However, it is hardly adopted as reporting guidance.

- Last but not least, one of the frameworks available for Non-Financial Reporting is the GRI (**Global Reporting Initiative**), which is an independent international organization that has fostered and supported sustainability reporting since 1990s. 93% of the world's largest 250 corporations report on their sustainability performance and 74% of these use GRI's Standards to do so. Nowadays, GRI is the most trusted and widely recognized for the development of guidelines on sustainability reporting. Its ultimate mission is to empower decisions that create social, environmental and economic benefits for everyone. In 2000, GRI launched the first version and most widely used framework of the Guidelines for comprehensive sustainability reporting. Since then, its reporting guidelines have undergone many updates and versions, but remain the most used framework for reporting on NFI. The GRI Standards consist of a set of reporting Standards which are intended to provide a harmonized and transparent reporting methodology for communicating organizations' impact on society and environment. GRI standards' ultimate purpose is the one to enable stakeholders to analyse NFI of companies on their CSR performances and compare them, placing a strong emphasis on the importance of materiality, which aims at reflecting the organization's core economic, environmental and social impact in the reporting, and tends to provide adequate information in relation to matters that stand out as being most likely to bring about the materialization of principal risks of severe impacts, along with those that have already materialized.²⁹ Moreover, themes such as impacts on the value chain, exceptions and omissions, external assurance and continuous improvement have been much integrated in the development of GRI Standards to ensure an useful alignment with the European Directive.³⁰ Lastly, it is important to underline that GRI set of Standards can be used to prepare a sustainability report; or selected Standards can be

²⁸ OECD Guidelines for Multinational Enterprises, 2011 Edition

²⁹ GRI Standards Guidance, issued by GSSB- Global Sustainability Standards Board

³⁰ GRI Standards Guidance, issued by GSSB- Global Sustainability Standards Board

adopted to report specific information. The GRI Standards are distinguished in four different groups: *Universal Standards*, *Topic specific Standards*; *Economic topics*; *Environmental topics*; *Social topics*.

This intense deepening on the ESG reporting Directive and on the International Frameworks used to report NFI aimed at explaining in detail how CSR activities and engagement can be transparently reported and monitored by corporations. This section will help in better understanding and orienting myself during the field of study outlined for my research question.

1.3 Evidence on the relationship of CSR practices and internal implications

Companies have tried to fit and play the role of social agents to fulfil the sustainable societal development through the engagement with communities' needs while also attempting to obtain a sustained competitive advantage as public awareness of corporate social responsibility has grown. These many engagements have resulted in a variety of internal ramifications, from straightforward administrative procedures to internal transformations. These internal implications have mostly touched primary stakeholders, which are all the parties that have an interest in the company and can either affect or be affected by the business (investors, employees, customers and suppliers). Indeed, “enterprises’ investments in CSR initiatives should be followed by reactive employees capable of supporting the firms reaching the agendas set for these initiatives”³¹. Employees are one of the firms’ major stakeholders and, by holding to a limited extent power as well as legal rights to influence the firms’ decisions, play a critical role in the firms’ CSR agenda. Indeed, employees can be considered as both CSR’s drivers and beneficiaries, and for this reason they are both directly and indirectly influenced by the adoption and disclosure of CSR. It is of general belief that CSR initiatives contribute to higher levels of employees’ engagement by finding and fulfilling purpose through work. The term employee engagement relates to the level of an employee’s commitment and connection to an organization which increases productivity, retention and profitability. This engagement is enhanced when the corporate culture and values of a company are aligned and shared by employees.³² The outbreak of COVID-19 and its consequences on the employees’ working

³¹ Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin, “ Firms’ adoption of CSR initiatives and employees’ organizational commitment: Organizational CSR climate and employees’ CSR-induced attributions as mediators”, *Journal of Business Research*, 2021

³² Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin, “ Firms’ adoption of CSR initiatives and employees’ organizational commitment: Organizational CSR climate and employees’ CSR-induced attributions as mediators”, *Journal of Business Research*, 2021

conditions has led many employees to feel disconnected and misaligned to the company's larger purposes. According to the report "Future of Work: adapting to the democratized workforce" published in 2021 by Herbert Smith Freehills, 81% of companies anticipate a rise in employee activism in the near future, and 46% view CSR activities centered around environmental issues and climate change as a prior trigger of activism. These findings highlight even more how employees are now perceiving the need of "being part of a bigger whole" to personally contribute to an overall improvement of the society and community they are surrounded by. According to the worldwide surveys' findings of the report "ESG Reporting on the Will of the People" published in 2021 by Gallup, it was found that to 71% of job seekers, a company's or employer's environmental record matters in their decision whether to take a job with that company; and 26% of this people said that the environmental record represents the major factor to them in picking where to work.³³ This finding further highlights the strong employees' feeling and need of belonging to a business that contributes to some extent to the improvement and wellness of society at large. Hence, if employees are looking for business that "do good", businesses strengthen their employees' engagement by investing in CSR and by disclosing on ESG matters. Indeed, according to the above-mentioned study, it was found that the employees who strongly agree their organization made a positive impact on people and the planet, compared with other workers, were two times more likely to be engaged at work (65% vs. 21%), 5.6 times more likely to strongly agree they trust their company's leadership (53% vs. 8%), 3.6 times more likely to recommend their organization as a place to work (65% vs. 14%), 57% more likely to intend to not be looking for another job (69% vs. 44%), and 3.1 times more likely to be extremely satisfied with their organization as a place to work (53% vs. 13%)³⁴.

1.3.2 CSR and employees' organizational commitment

Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin have explored in their academic paper "Firms' adoption of CSR initiatives and employees' organizational commitment: Organizational CSR climate and employees' CSR-induced attributions as mediators" published in 2021 by Journal of Business Research how firms' adoption of corporate social responsibility (CSR) initiatives influences employees' organizational commitment. The authors have specifically outlined and examined the cognitive processes by which objective CSR initiatives function as social cues to

³³ ESG Reporting on the Will of the People, Gallup, 2021

³⁴ ESG Reporting on the Will of the People, Gallup, 2021

shape an organization's CSR climate, which will eventually have an impact on people's explanations of the motivations behind CSR initiatives and will result in these CSR induced attributions having an impact on employees' organizational commitment. This study was built on previous research that has inquired potential positive influences of employees' perceptions of CSR on their work attitudes, such as job satisfaction, organizational commitment and organizational identification. Moreover, the research relied also on the analysis of two-waves of questionnaires that resulted in 474 final employees' surveys in 25 firms. The questionnaires assessed the organizational CSR climate and evaluated the degree to which businesses adopted CSR activities, using the KLD Social Ratings. The research considered CSR initiatives "all those socially valuable initiatives or activities of a firm intended to make progress towards social betterment above and beyond economic and legal obligation"³⁵. All of these programs are aimed at preventing negative externalities or fostering good ones. For instance, the use of clean fuels and renewable energy minimizes air pollution and global warming, resulting in positive externalities for the business, whereas civil penalties for the violation of employee safety and security constitute negative externalities.³⁶ The study used Social KLD ratings to evaluate and categorize the various corporate social initiatives. These latter are regarded as trustworthy indicators of firms' actual pro-social behavior that reflects specific positive or negative externalities because they eliminate any potential ambiguity regarding industry effects and subjectivity and because of their empirical reliability. The KLD indexes used assess the following aspects of CSR: community relations, corporate governance, diversity, employee relations, environment, human rights, and product quality and safety. A smart way to portray a company's profile with regard to the adoption of CSR activities is to look at each element, which is made up of a number of strengths and concerns. Here below I will provide some specific corporate initiatives examples that were reported and classified for each above-mentioned section:

- **Community relations:** The corporation either engages in other notably commendably beneficial community activities or has an extremely strong in-kind giving program (strength); The company is embroiled in an issue that has galvanized community opposition or is engaged in other notable community controversies (concern).

³⁵ Carroll, 1999; Matten, Crane, & Chapple, 2003

³⁶ Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin, "Firms' adoption of CSR initiatives and employees' organizational commitment: Organizational CSR climate and employees' CSR-induced attributions as mediators", *Journal of Business Research*, 2021

- **Corporate governance:** The company has exhibited notably responsible leadership on public policy issues and/or has an extraordinary track record of transparency and accountability regarding its political engagement in the government's policies (strength); The company is involved in significant accounting related controversies (concern).
- **Diversity:** The company was engaged in the promotion of women and minorities, within line positions (strength); There are no women on the business's board of directors or among its top line managers (concern).
- **Employee relations:** the company aggressively encourages employee involvement and/or ownership through stock options made available to the majority of its employees, profit sharing, stock ownership, the disclosure of financial information, or participation in management decision-making (strength); The business recently engaged in significant health and safety issues or paid significant fines or civil penalties for wilful violations of employee health and safety regulations (concern).
- **Environment:** the business has particularly effective pollution prevention measures, including both emissions reductions and toxic-use reduction programs (strength); The business recently paid significant fines or civil penalties for violations of air, water, or other environmental regulations. (concern).
- **Human rights:** The company has undertaken exceptional human rights initiatives, including outstanding transparency or disclosure on human rights issues, or has otherwise shown industry leadership on human rights issues (strength); The company's operations have experienced significant recent controversies, primarily related to labor standards in its supply chain (concern).
- **Product, quality & safety:** The company has a long-standing, thoroughly developed quality program that is applied throughout the entire organization, or it has a quality program that is regarded as exceptional in the industry (strength); The company recently paid sizable fines or civil penalties, or it is currently embroiled in recent controversies or regulatory actions pertaining to the safety of its products and services. (concern).

On the other hand, organizational commitment was considered as one critical outcome of employees' perceived CSR among the different work attitudinal consequences because when employees consider their organization to act pro-socially for the good of primary and secondary

stakeholders, they perceive greater psychological attachment to the enterprise itself.³⁷ The above-cited paper was capable of assessing the positive relationship between firms' adoption of CSR initiatives and organizational CSR climate. The authors defined CSR climate as "the result of a sensemaking process through which employees observe their organizations to gather social cues or information, which is then interpreted and organized into a meaningful structure."³⁸ This climate is made up of the organizations' efforts to serve the interests of diverse stakeholders through organizational CSR events and practices as well as their efforts to support broader social needs rather than only meet their financial goals and adhere to the law. Therefore, an organization's CSR climate can be created when employees believe that a company can prioritize moral and discretionary issues over financial targets and regulatory restrictions. This climate develops as a result of a particular social information process that focuses on the significance that employees give to CSR initiatives, internal consistency between management practices and CSR initiatives, and firm involvement in community programs that serve the interests of internal and external stakeholders. As a result, the adoption of CSR efforts by businesses may serve as a clue for how employees view CSR. This latter is triggered by their company's moral actor identity, which will subsequently be disseminated, creating an organizational CSR climate that is founded on social responsibility. The paper also proves the relationship between organizational CSR climate and employees' CSR-induced intrinsic attribution. Indeed, the cognitive process of CSR relates also to individual attributions to such initiatives which refer to the employees' evaluation of the motives behind the tangible facts of CSR engagement. The most well-known CSR-induced attribution categorization is a two-dimensional approach: intrinsic and extrinsic attributes. The former attributes refer to "employees' attributions of the firm's intentions to engage in CSR to value-driven or selfless motives, while the latter is defined as employees' attributions of the firm's CSR engagement to instrumental or self-serving intentions."³⁹ These various attributions are believed to have been developed in accordance with the signaling theory, according to which people view the information that is readily available as signals (e.g., CSR initiatives, reporting improvements, etc.) that they can interpret in order to close the information asymmetry that is frequently

³⁷ Boddy, C. R., Ladyshevsky, R. K., & Galvin, "The influence of corporate psychopaths on corporate social responsibility and organizational commitment to employees". *Journal of Business Ethics*, 2010

³⁸ Salancik, G. R., & Pfeffer, "A social information processing approach to job attitudes and task design". *Administrative Science Quarterly*, 1978

³⁹ Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin, "Firms' adoption of CSR initiatives and employees' organizational commitment: Organizational CSR climate and employees' CSR-induced attributions as mediators", *Journal of Business Research*, 2021

present in the organizational context.⁴⁰ Employees usually use reported information found in strategic policies, ESG reporting documents or corporate governance to assess the motives behind the CSR involvement. Hence, when employees infer a substantive (or symbolic) motive behind such involvement, they elaborate CSR perceptions that will positively (negatively) affect CSR climate because of CSR-induced intrinsic (extrinsic) attributions. Additionally, organizational commitment is described as a psychological state that ties a worker to a company based on identification with the latter's principles and traits. Because CSR a pro-social quality of organizational ambitions to contribute to societal goals, Employees' organizational commitment may represent how they react to the organization within the context of organizational CSR-related concerns. When the employees' perceptions have identified the company as a CSR implementor rather than green-washer, Employees' organizational commitment and CSR-induced intrinsic attribution are positively correlate. The authors also examined the crucial links between employees' attitudinal responses and the framing of collective CSR and causal inferences of the motivations underlying CSR. Indeed, once organizational CSR climate has been developed on the basis of CSR initiative adoption and perceptions, induced CSR intrinsic attributions will lead to shaping of organizational commitment. Therefore, the study does not suggest that CSR adoption has a direct impact on employees' commitment; rather, it suggests that organizational CSR climate and individuals' intrinsic attribution caused by CSR serve as mediators toward this latter employee commitment.

1.3.3 CSR and employees' organizational attachment and performance

It is of significant organizational importance and concern to build employees' organizational attachment to ensure lower turnover and absenteeism rates within companies. Business culture and its CSR capabilities are seen as resources for establishing competitive advantage, particularly for enhancing employee loyalty and corporate performance. The study of Eun Mi Lee, Seong-Yeon Park and Hyun Jung Lee on employees' perception of CSR activities examines "how the perceived cultural fit and CSR capabilities affect employees' attachment and performance through their perceptions of CSR activities" (Lee et al. 2013). In order to define how employees' perception on CSR influence employees' attachment, the authors based their study on the exploration of the different factors that build CSR employees' perceptions

⁴⁰ Bauman, C. W., & Skitka, L. "Corporate social responsibility as a source of employee satisfaction". *Research in Organizational Behavior*, 201

and on the investigation of these latter impacts on organizational attachment and firm performance. In fact, an ethical work environment may foster loyalty and trust within organizations, boosting output and encouraging employees to act ethically and responsibly. The researchers define employees' perceptions of CSR activities as the extent to which employees perceive a company protecting and improving the welfare of the society as a whole by supporting activities related to social causes. This definition is based on Carroll's four-part definition of CSR, which contends that corporations have economic, legal, ethical, and philanthropic responsibilities. Instead, the definition of CSR competence is the business knowledge, ability, and procedures a company has for organizing, carrying out, and assessing CSR activities. The results of the study of 168 employee surveys completed in 7 CSR-focused businesses indicate that CSR capacity and perceived cultural fit induce positive CSR perception that improves performance. Specifically, all the measures used in the study were evaluated upon a scale from 0 to 7 for each interviewee, some examples of assessment are here below reported:

- « Perceived corporate cultural fit was operationalized as the perceived similarity or relevance between the corporate culture and its CSR activities.

Our company's CSR activities are congruent with our corporate culture.

Our company's CSR activities are relevant to our corporate culture.

Our company's CSR activities are similar to our corporate culture.

Our company's CSR activities reflect our corporate culture. »

- « Corporate capability

Plan

Our company tries to understand our stakeholder's needs.

Our company makes use of our stakeholder's information.

Our company considers our stakeholder's requirements.

Our company serves our stakeholder's demands.

Do

Our company has the ability to manage CSR activities.

Our company has a CSR department.

The CEO of our company reinforces CSR.

Our company performs CSR activities.

See

Our company has a system to evaluate CSR activity performance.

Our company has process to evaluate CSR activity performance.

Our company reveals the evaluation results of CSR activities with an official report.

Our company publishes the performance of CSR activities ».

- « Employee perception of CSR activities was operationalized as the degree of employee perception of the company's supporting activities of a social cause in terms of philanthropic, ethical and environmental terms.

Philanthropic CSR activities

Our company helps solve social problems.
 Our company has a strong sense of corporate social responsibility.
 Our company gives adequate contributions to local communities.
 Our company allocates some of their resources to philanthropic activities.
 Our company plays a role in society that goes beyond the mere generation of profits.
 Our company encourages its employees to participate in voluntarily activities.

Ethical CSR activities

Our company emphasizes the importance of its social responsibilities to its employees
 Our company organizes ethics training programs for its employees.
 Our employees are required to provide full and accurate information to all customers.
 Our company has a comprehensive code of conduct
 Our company is recognized as a trustworthy company.

Environmental CSR activities

Our company tries to offer environmentally friendly products.
 Our company has an environmentally related mission.
 Our company makes an all out efforts to maintain and preserve the environment ».

- « Employee attachment was operationalized as employee feeling of an emotional bond and self-connection with the company.

Affectionate

Loved
 Friendly
 Peaceful
 Passionate
 Delighted
 Captivated
 Connected
 Bonded »

- « Perceived corporate performance

Our company has a competitive advantage in sales growth.
 Our company has a competitive advantage in market share.
 Our company has a competitive advantage in profit growth.
 Our company has a competitive advantage in return on investment ».

Indeed, when corporations align their CSR activities with their corporate culture, employees are more effectively engaged in organizational identity and meaning and consequentially performance is boosted by shaping and directing employees' behavior and decision-making towards the success of CSR programs. Additionally, organizational CSR capabilities have a beneficial impact on how employees view CSR because they encourage employees to put more effort into accomplishing the firm's objectives by directly affecting brand evaluation through

product or customer attribute perception..⁴¹ Furthermore, the research finds that employees positive CSR perceptions affect positively employees' attachment to their company. "Indeed, because the degree to which an organization fulfills its societal obligations is significantly associated with employees' satisfaction, attitude and behavior, employees will develop trustworthiness and loyalty towards the corporate management, triggering employees' emotional, attitudinal and behavioral attachment".⁴² Lastly, on the basis of the significant positive links between environmental commitment and financial performance driven by the direct association among perceived corporate responsibility and outcomes as market share and profits, the study proves that employees attachment affect perceived corporate performance positively because engaged employees are the most productive and most committed to organizational goals.

1.3.4 ESG reporting and workforce sentiment

A strong ESG value proposition enables to create corporate value under many perspectives. Acting and investing on ESG has become even more pressing lately. Indeed, ESG-oriented investing has experienced an exponential increase since last decade: its acceleration has been driven by employees and consumer attention on impact of corporations, as well as by the investors and executives who realize that a strong ESG proposition can ensure a company's long-term success and business performance.⁴³ According to the report of McKinsey published in 2019, companies that transparently and comprehensively report on ESG matters, and are awarded for their ESG disclosure and advancement through a third-party assurance, attract and retain quality employees. Indeed, the greater an employee's perception of their beneficiaries' work impact, the greater the employee's motivation to act in a "prosocial" way.⁴⁴ According to the study of Marsh & McLennan "ESG as a workforce strategy", companies that detain remarkable ESG performance benefit from highly satisfied employees and greater attractiveness power for young and new talent than global average employers. These companies result to have a competitive advantage through their strong ESG strategy by being capable of

⁴¹ Brown, T. J., & Dacin, P. A. "The company and the product: Corporate associations and consumer product responses", *Journal of Marketing*, 1997

⁴² Ashforth, B. E., & Mael, F, "Social identity theory and the organization", *Academy of Management Review*, 1989

⁴³ Witold Henisz, Tim Koller, and Robin Nuttall, "Five ways that ESG creates value", *McKinsey Quarterly*, 2019

⁴⁴ Adam M. Grant, "Does intrinsic motivation fuel the prosocial fire? Motivational synergy in predicting persistence, performance, and productivity," *Journal of Applied Psychology*, January 2008

engaging their current workforce and attracting better tomorrow's talent. The study used information from the MSCI ESG portal, a database that contains ESG scores and related data for more than 7,500 companies worldwide, to analyze the relationship between ESG performance and employee sentiment. Firstly, the study categorized companies according to the workforce sentiment and this classification resulted in three groups:

- global average employers (companies included in the MSCI ACWI Index),
- top employers by employees' satisfaction (Companies included in both MSCI ACWI Index and Fortune's 2019 "100 Best Companies to Work For"),
- top employers by attractiveness to students and young professionals (Companies included in both in MSCI ACWI Index and Universum's 2019 "World's Most Attractive Employers").⁴⁵

Finally, scores and ratings were given to the three employer groups by assessing their ESG performance at various granularities, taking into account the most significant environmental, social, and governance risks and opportunities for each industry, and providing an overall rating based on companies' exposure and management of those risks and opportunities. This process started with indicators and data from Sustainability Reports and Non-Financial Statements of the underlying companies. ESG score at Level 1 is the MSCI's overall ESG score for each company which represents the industry-adjusted weighted average of a company's E, S, and G pillar scores; The ESG score at Level 2 is comprised of the E, S, and G pillar scores assigned by MSCI to each firm based on the weighted average of issue scores that are determined by the outcomes of the underlying ESG indicators. ESG score at Level 3 is a metric that assesses a company's performance on certain issues within each pillar, enabling us to examine the more intricate connection between particular ESG issues and employee sentiment. The study resulted in many key findings. Firstly, it was proved that companies with remarkable scores on ESG pillars (14% higher on ESG scores with respect to global average employees) were the ones belonging to the group of top employers by employees' satisfaction. This shows that when companies invest and disclose on ESG, employees are more satisfied as "they work harder, stay longer with employers, and seek to produce better results for the organization".⁴⁶ Similarly, the results showed that all companies with strong ESG value proposition (25% higher than the

⁴⁵ Robert Bailey, Jaelyn Yeo, Lingjun Jiang and Angela Ferguson, "ESG as a workforce strategy", Marsh & McLennan, 2021

⁴⁶ Robert Bailey, Jaelyn Yeo, Lingjun Jiang and Angela Ferguson, "ESG as a workforce strategy", Marsh & McLennan, 2021

global average employers) were all those companies with the most attractive image to students and young professionals.⁴⁷ The study analyzed more in depth the relationship between each E, S, G pillar and the workforce sentiment.

- To determine if employee sentiment is impacted by a company's carbon footprint, researchers evaluated the average carbon emissions intensity across the three employer categories within the environmental pillar. The findings demonstrated that businesses with high levels of employee satisfaction and youthful talent attraction have fewer emissions than employers globally.
- Employers' attempts to comprehend employee sentiments within the social pillar were compared to determine whether organizations with superior human capital management have higher employee satisfaction and are more appealing to young talent. According to the report, businesses that value their employees' opinions more highly than the global average score 26 percent higher in this area.
- Within the governance pillar, gender diversity on corporate boards was examined to determine whether there is a correlation between board diversity and employee satisfaction. An average of 30% of boards have female representation, which is associated with increased employee satisfaction and greater attractiveness to young talent.⁴⁸

The study advanced the conclusion that all companies that disclose and detain a strong ESG reporting and performance are those organizations that best satisfy their employees and attract new talent at higher rates. A remarkable position in ESG reporting and performance is positively linked to a better “workforce sentiment”, characterized by highly satisfied and engaged employees, and greater capabilities in attracting and retaining talent.

Summary of Literature Review

This literature review section showed that both a substantive involvement in CSR activities and a strong ESG reporting and performance practice produce positive workforce impacts. Indeed, when the organization is authentically engaged in CSR action programs, or when it has a strong positioning within the ESG reporting practice, employees' engagement, satisfaction and

⁴⁷ Robert Bailey, Jaclyn Yeo, Lingjun Jiang and Angela Ferguson, “ESG as a workforce strategy”, Marsh & McLennan, 2021

⁴⁸ Robert Bailey, Jaclyn Yeo, Lingjun Jiang and Angela Ferguson, “ESG as a workforce strategy”, Marsh & McLennan, 2021

performance are positively impacted. However, as highlighted by the literature review, these two CSR practices yield different impacts on employees. Indeed, it was noticeable that a remarkable CSR action program impacts on a more internal workforce perspective, while ESG reporting gives rise to external personnel implications. As underlined by the academic papers analyzed beforehand (Lin et al. 2021, Lee et al. 2013), an authentic CSR program commitment leads to build a strong employees psychological and behavioral attachment. When employees perceive their organization is acting pro-socially beyond its economic purposes and aligns its CSR engagement to its value proposition and corporate culture, the working sentiment tends to build a stronger organizational commitment within the workplace. On the other hand, according to Robert Bailey, Jaclyn Yeo, Lingjun Jiang and Angela Ferguson in their research paper “ESG as a workforce strategy”, a remarkable positioning in the corporate ESG reporting and performance induces greater attractiveness in engaging with the current workforce and in attracting upcoming talent. Because these two different forms of CSR strategy (CSR activities/initiative and reporting) produce different positive outputs within the workforce sentiment, respectively internally and externally, there is a need in further elaborating and understanding the methodology these different tools linked to CSR and ESG affect employees. In order to shorten this gap and clarify these relationships, my research paper tries to assess to what extent the impact of a CSR policy and practice on employee engagement depend on the forms taken by the policy itself.

Research Question, Hypothesis and Methodology

2.1. Research Question and Hypotheses

After having provided a deep literature review on CSR practices, ESG reporting policies and the relationship that these two have on internal implications such as employees’ engagement, satisfaction, organizational attachment and performance, we can pose ourselves the following research question:

To what extent does the impact of a CSR policy on employee engagement depend on the forms taken by this policy both in terms of tools and content?

As we have explored previously, CSR programs can take multiple forms varying from voluntary initiative programs to mandatory reporting policies. From the literature review section, we also understood that not only they can take multiple forms but that CSR programs

could also vary in terms of the kind of employees' sentiment implications they yield. Because of the proposed difference of these two main forms 'impact, it was of my curiosity and it is of fundamental importance to assess whether mandatory and voluntary initiatives actually influence and yield significantly different workforce sentiment. Hence, this research question and consequent investigation will help us deriving whether voluntary activities-based CSR and an ESG-objective reporting and performance practice generate different workforce implications, and to which extent.

Following our readings, the hypotheses associated with this question try to highlight whether:

- An extensive voluntary CSR voluntary programs maximize employees' organizational engagement and psychological attachment through employees 'positive perceptions of corporate contribution to the overall environmental and social betterment beyond legal obligations and through alignment of CSR activities with corporate culture.
- A strong ESG mandatory reporting practice generates employees' satisfaction and yields great attractiveness and retention power for talent management through an authentic capability of engaging current workforce on its CSR efforts.
- The sole coexistence of a remarkable ESG reporting value proposition and a relevant CSR action-program generate employees' satisfaction, attractiveness and retention capabilities as well as organizational commitment and attachment.

2.2. Interview Guide

The following interview guide was elaborated to provide data to answer to the research question.

2.2.1. Part I, CSR practices within organizations

This first part provides a context for the interviewees and my specific analysis. The aim is to understand the general involvement of the organizations for which the interviewees work for towards CSR. This will be drawn first by some general initial questions:

CSR Strategy

- ◇ Could you describe what your company does that can be linked to CSR? What kind of CSR activities your organization undertakes or is involve in (please give illustration)?
- ◇ For what reasons specific CSR programs were chosen?

- ◇ What are the expected objectives the organization wishes to achieve for each activity?
- ◇ Do they follow any kind of criteria (alignment to value proposition, stakeholder preference, historical involvement)?

This second subsection focuses on exploring the specific portfolio of different CSR activities and initiatives undertaken by the organizations. This analysis will provide a better overview of these actions in terms of description, form and coherence with the corporate business and mission. In order to test whether the organization impact all different matters of CSR, I will pose questions referring back to the classification of the seven segments of CSR matters used within by Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin in their academic paper “Firms’ adoption of CSR initiatives and employees’ organizational commitment: Organizational CSR climate and employees’ CSR-induced attributions as mediators” published in 2021 by Journal of Business Research. For each sub-category, I will ask to specify the form taken by the practice. The goal of this part is to let the interview speak to understand the different kinds of CSR practices undertaken by the organization to assess their different objectives, forms and eventually draw insights on the workforce sentiment implications.

Below is a reading grid of the classifications per purpose of CSR activities introduced previously. This will be used to discuss openly about the CSR practice put in place by the company in order to assess the different areas touched.

Forms of CSR involvement

- ◇ **Community relations:** Is your company involved in any giving programs (support in local charity, volunteering programs or “clean-up” events)? In which form is the activity deployed (action, objective, reporting measure)?
- ◇ **Diversity:** Does your company have specific incentive programs in the promotion of women and other minorities at the workplace or within the community? How does your company promote a diverse and include culture? In which form is the activity deployed (action, objective, reporting measure)?
- ◇ **Employee relations:** Does the company encourage worker involvement and/or ownership through stock options available to its employees? Does the company have any program of gain sharing based on performance targets reached? In which form is the activity deployed (action, objective, reporting measure)?

- ◇ **Environment:** Has the company set environmental targets to reach related to carbon footprint, and resource usage? Has the company implemented any pollution prevention programs? Does the company follow any sustainable criteria to choose its suppliers? In which form is the activity deployed (action, objective, reporting measure)?
 - ◇ **Human rights:** Has the company shown industry leadership on human rights issues such as discrimination, pay fair-wages? In which form is the activity deployed (action, objective, reporting measure)?
 - ◇ **Product, quality & safety:** Does the company have a well-developed, company-wide quality program? Does the company go beyond the safety standards of its production? In which form is the activity deployed (action, objective, reporting measure)?
- ◇ Could you describe the management process related to CSR (in terms of programs or objective choices indicators, incentive systems, communication, etc.)?
- Follow up questions in case the interviewee has not clarified the following points:
- ◇ Which department or people are responsible for choosing the activities and evaluating their development?
 - ◇ Does the company have specific CSR indicators to keep track of its advancement?
 - ◇ What is the main channel and frequency of CSR internal communication?
 - ◇ Does your company disclose the CSR report or Non-Financial Statement? Does your company circulate it internally?
 - ◇ Are there incentives related to CSR activities or CSR indicators?
 - ◇ What do you think of the indicators used/ the reporting CSR practice (if the person mentions them beforehand) implemented?

2.2.2. Part II, dependencies of CSR practice, employees' engagement and sensitivity drivers

This second part will try to highlight and discover the main drivers and sources of organizational employee's commitment, attachment and performance deriving from CSR practices. This assessment will be drawn merging the answers coming from the previous parts related to the degree of CSR engagement of organizations, public reporting on their CSR practices with the evidence deriving from the literature review. The goal here is to link employees' perceptions of CSR authenticity and commitment to the different forms of CSR practice in order to understand their influence on employees' work behavior. Indeed, we aim

at understanding to what extent the impact of a CSR policy on employee engagement depend on the forms taken by this policy and which form is the most impactful one.

Employees' engagement sensitivity

In case the interviewee has mentioned throughout the interview several different contributing elements to its corporate CSR policy, the following questions will be posed, to better detect its degree of engagement sensitivity to each of the components:

- ◇ Insofar, does the CSR policy motivates you?
- ◇ What specific elements of this policy/ which specific tools that you described are the most valuable or motivating for you? Why?
- ◇ What specific CSR projects/initiatives have impacted you in terms of organizational commitment? Why?
- ◇ Has your company ESG reporting practice impacted the workforce sentiment? Why?
- ◇ What is the effect of communicating results or the advancement of CSR indicators on your organizational commitment?
- ◇ What have been the incentives system's effects on your organizational commitment?
- ◇ What is the impact of internal CSR communication on your organizational commitment?

Field of Study and Analysis of Interviews

In order to explore our research question, we determined the information needed to be collected to answer our analysis within the above section. As the field of research involves a study of the different organizational CSR practices as well as the engagement and sensitivity of employees to these latter, we have chosen to approach the research in a more qualitative way by carrying out a series of interviews and by integrating the information collected with the official publications of the companies selected for the interviews. It is important to underline that we have chosen to carry out interviews as a first step to explore our research question, and that our goal is not to validate the hypothesis given the restricted field of study, but rather exploring the research question through a qualitative methodology. In order to avoid as much as possible biased answers, we decided to carry out multiple interviewees within the same organization: one to describe the CSR management system and its overall strategy, and few other interviews with employees to gather their reaction to the system. Within this specific section, we will be first discussing and summarizing the content of the interviews conducted within different

companies to then analyze their outputs in parallel with our research and hypothesis. Eventually, we will also draw the potential limits of this study.

3.1 Summary of the interviews

The summaries of the interviews address several major themes. After a few possible elements and general questions of context, we will discuss the place occupied by the CSR strategy and its practice within the company itself to then investigate the different policies put in place for the major CSR areas touched by the company (according to the official corporate publications analyzed and the information provided by the interviewees). Following the thread of our interview guide, we will investigate the sensitivity of employees with respect to the different forms taken by these latter practices. Finally, we will try to derive from each interview to which extent the impact of a CSR policy on employee engagement depend on the forms taken by this policy both in terms of content and tools, and more specifically which workforce sentiment is generated by which kind of CSR practice form.

3.1.1 AC Milan

As part of this research paper, we conducted two interviews within A.C. Milan. One first interview was conducted with the CSR and Sustainability Manager, in order to gather precious insights on the organizational CSR practice of the corporation as well as its management process; while the second interview was conducted with the Organization and Development Manager, in order to understand the perception of the CSR practice from an employee point of view and assess our research question.

Some contextual elements

At A.C. Milan, the notion of CSR is relatively new. Indeed, it has become part of its DNA and corporate culture since 2012. A decade ago, the Group has defined its long-term CSR strategy and it has also determined associated tools and management systems to support its planning, monitoring and performance's monitoring. Specifically, in 2014 the Group has created an internal CSR function dedicated to managing and monitoring all sustainability-related issues: from the definition to the development and monitoring of environmental and social responsibility policies and activities according to internal and external stakeholders' demands; the result of this process is the annual publication of the Sustainability Report. Before this CSR

function had been put in place, minor CSR actions-programs and initiatives were adopted, and were mainly managed by the Human Resource Department. However, the current context that has called for urgent support during the COVID-19 pandemic, and imminent sensibilization actions against racism and pro inclusion, have pushed A.C. Milan to go further rather than just align to ESG requests. Hence, the Group has integrated CSR and sustainability along the entire value chain to deal with themes that they did not address in the past. This recent CSR practice and attention that has been devoted to CSR objectives, has been defined very innovative and of unique importance considering the Italian Soccer Industry that is still anchored around old and conservative values.

CSR strategy and practice

As was often highlighted within the interviews by A.C. Milan CSR and Sustainability Manager, “*CSR has played a key role in A.C. Milan since 2014, as the strategy itself has been the result of a perfect mix between the corporate DNA, the willingness of the organization in positioning itself with respect to specific themes, and responsibility towards its enormous audience*”. The overall CSR strategy implemented by the company focuses on six different pillars: governance and integrity, economic responsibility, responsibility towards fans, human resources, social responsibility and environmental responsibility. These specific macro-areas focus then on specific related sub-category issues with internal (AC Milan Group, AC Milan Group Fondazione Milan, AC Milan Group San Siro Stadium, Footballers) and external (Sports institutions Lega calcio, Commercial partners, Fans Sports institutions Lega calcio, Schools and universities Players’ families) impact.

The mere focus of the A.C. Milan CSR strategy itself is on Social Responsibility and Human Resources’ matters. Indeed, A.C. Milan has posed particular attention to matters merely related to social-inclusion, diversity, tolerance and anti-discrimination. This was many times repeated throughout our discussions by both respondents. These specific areas of focus derive from the particular business, environment and dynamics of the Soccer Industry, where “*the social aspect is primary to any others due to the interactions among fans, soccer teams, top management and mostly due to the giant eco and communication power of the corporation itself on the entire society*”. Through its history, operations and marketing activity, A.C. Milan has always been particularly close to social matters: from youth education and equal accessibility to sport, to fights against racism and initiatives pro-diversity. From a societal and social perspective, A.C. Milan has taken a leading role in establishing and meeting the needs of its community through

the establishment of Fondazione Milan, a public charity connected to the larger scope of AC Milan's corporate responsibility that focuses on initiatives that use sport and its values to assist young people in need for their personal development. This specific Foundation has promoted more than 160 projects in 18 countries, while more than 11 million euros donated, and has seen the development of three key project pillars:

- **Sport for Change:** Sport is being promoted as a weapon to combat educational and economic hardship in a program aimed at young generations at risk of social exclusion. It also intends to promote integration and social inclusion in suburban areas and neighborhoods of big cities.
- **Sport for All:** seeks to promote social integration and cohesion while developing and encouraging the growth of and access to sports for those with disabilities. This program is run in conjunction with premier partners that have developed expertise and work standards that serve as a benchmark for the regions in which they are implemented.
- **Fondazione Milan in the Community :** By hosting events in schools and meeting kids with AC Milan ambassadors who share sports' value and work to combat discrimination by bringing awareness to the problem of racism, the program is intended to foster and share the values of sport among young people and help them face reality in a positive way.⁴⁹

In addition to these specific initiatives, A.C. Milan has been able to adapt to the recent emergency needs and circumstances. In 2020, it has been able to hold online fundraising events during which collection activities continued through digital media and channels. This fundraising brought to the collection of 500.000 euros which were donated to AREU (Regional Emergency Urgent Agency), in support to the purchase of medical equipment. More recently, A.C. Milan has launched a solidarity campaign with the Red Cross starting with a donation from Fondazione Milan to help alleviate the humanitarian crisis in Ukraine.

From an environmental point of view, A.C. Milan has defined an environmental management system to ensure their path towards sustainability. Specifically, these defined procedures relate to waste management, management of water discharges and management of air emissions, and their correct implementation are monitored by the Environmental Manager in terms of compliance and related principles. Moreover, since 2016, A.C. Milan keeps tracks of its environmental impact through the monitoring of KPIs. These environmental indicators are

⁴⁹ Rapporto di Sostenibilità, 2019-2020 drafted by A.C. Milan

reported for all its sport centers, Casa Milan and for the Stadium. The KPIs track the consumption of natural gas, electricity, diesel and water, and report also details related to total waste produced, waste disposal and waste recovery⁵⁰. Furthermore, A.C. Milan guarantees its environmental responsibility along all the value chain by monitoring suppliers and managing the purchase of goods and services. This was mentioned by both interviewees, who stated that *“A.C. Milan detains a supplier’s portal through which it has access to the documentation of suppliers’ registry, product classification, document repository and suppliers’ certifications for performance analysis, spending analysis, and management of the contractual and bureaucratic matters”*. Similarly, A.C. Milan has defined new internal guidelines to be followed for its purchasing procedure for the operational and administrative-accounting management of the supply process of goods and services, with the aim of ensuring traceability and monitoring of suppliers’ operations.

Forms and management process of CSR

From the above analysis of A.C. Milan social and environmental commitment, it is now crucial to examine the management process behind these CSR practices as well as the forms taken by these latter. This evaluation will be drawn on the information provided during the conducted interviews as well as on the related resources published by the corporation. First, it is important to highlight that the Italian Soccer Industry, as well as the European one, do not fall within the specificities of the NFI European Directive and are not required to commit or disclose any kind of CSR involvement. However, because of the significant pressure arising from social expectations, partners ‘pressure, ethical standards and media, Football Clubs are now starting to publicly commit to these matters. As it was mentioned during our interviews, the Italian Soccer Industry lacks a CSR reporting and communication framework to comply to. Since the creation of the internal CSR department, A.C. Milan has managed internally the definition of the organizational CSR priorities and objectives, as well as the associated action-program to be developed. *“The decision-making process has always been supported by a materiality matrix, which represents the output of an assessment survey on sustainability issues that annually circulates among internal and external stakeholders”*, as specified by the CSR and Sustainability Manager. From this specific matrix, the CSR department detects the most relevant issues for the Group and develops the CSR annual strategy accordingly. The

⁵⁰ Rapporto di Sostenibilità, 2019-2020 drafted by A.C. Milan

respondents added that most of the social practices implemented by the company (such as the one carried out by Fondazione Milan) take an initiative-volunteering form. Indeed, A.C. Milan holds a wide portfolio of projects devoted to social, inclusion and diversity purposes, which are validated differently according to their specific objective. When A.C. Milan carries out projects devolved for educational and inclusion purposes within schools, the company evaluates and validates the execution and success of the project based on surveys that circulate internally to the school network. On the other hand, when A.C. Milan executes initiatives aimed at fighting racisms and sensitizing with respect to diversity, gender equality and anti-discrimination matters, the company opts for marketing campaigns practice form. The CSR and Sustainability Manger specified that *“This specific form is preferred for these purposes because of the remarkable corporate eco, exposure and communication power detained by A.C. Milan towards its community. These initiatives are assessed according to the reach and reactions of these social campaigns”*. On the other hand, when it comes to monitoring its environmental impact, A.C. Milan reports on its footprint through a list of KPIs which are updated annually by the CSR department in occasion of the publication of the official Sustainability Report.

Employees' engagement

When the interviewees were inquired about the motivation arising from the CSR strategy of their company, both of them confirmed that *“the initiatives and the advancement of the social and environmental objectives pursued by A.C. Milan were stimulating their organizational commitment”*. The primary reason behind their employee engagement was justified by the fact that the CSR strategy implemented was considered to be efficiently and effectively involving all kind of stakeholders, varying from shareholders and employees of the Group to its fans, community and commercial partners. Because Soccer Fans might be distant from certain CSR matters and might prioritize and await other kind of investments from their favorite Soccer Team, the Club reveled that *“it faced initial hostility and low engagement coming from its community when it showed to be interested in integrating CSR within its mission and financials”*. However, the employees said to feel even prouder when A.C. Milan kept believing and investing in the positive externalities of CSR and fans started slowly coming onboard and being involved in the fundraising and social initiatives organized. Moreover, the employees felt more attached to the company itself because they perceived to have contributed in the shaping of the CSR strategy through the assessment survey on CSR matters. Furthermore, when

asked about the most valuable and motivating elements and tools of their organizational CSR policy, the interviewees shared interesting insights. On one hand, they considered *“the alignment of their organizational mission to be perfectly matching the initiatives and CSR practices implemented by the Club itself”*. On the other, they felt ever more motivated and involved because of *“the unique possibility of employees to propose special initiatives/projects that they personally assist to be adopted and supported financially by the Club”*. For example, as revealed during the interviews, A.C. Milan started supporting financially one hospital in the Milan area for medical equipment sourcing because an internal employee was volunteering during Covid-19 times at this specific facility. The proposal was immediately accepted and turned other A.C. Milan’s employees to help and volunteer for the hospital itself. Hence, the flexibility as well as the possibility to personal choose and being involved in the shaping of the organizational CSR policy was said to be one of the most valuable and motivating element. When asked about the most enriching and engaging specific pools of CSR initiatives, the employees revealed that the ones they felt closer to were the ones related to humanitarian support: both of them mentioned the fundraising made with the Club’s commercial partners in support of the emergently pandemic, as well as in support of Ukraine. Specifically, it was ideated a method through which fans could decide to donate the value of refunded tickets to the Coronavirus relief effort, and it has been put in place a charity auction of limited edition jerseys as well as a facility in one of A.C. Milan Sport Center where basic necessities are collected for Ukraine. Last, the employees revealed that they both *“feel more engaged and committed to the organization when the Club ideates and develops initiatives and projects related to its Social and Humanitarian Responsibility”*. This has been justified by the fact that the *“employees can not only personally propose CSR action-program or partnerships in relations to these matters, but also because they feel as contributing to giant emergencies, and perceive the Club as part of a whole in which the company acts at global scale to contribute to driving positive social change via concrete action”*. However, the interviewees confirmed that these initiatives are necessary but not sufficient in contributing to their employees’ engagement. Indeed, the Club’s commitment to its environmental impact as well as its reporting procedure seem to represent the solid base onto which employees perceive the wider and comprehensive scope of the CSR strategy, even if *“the ESG reporting practice still needs to be further improved according to standardized reporting guidelines”*.

Key take-aways

Within this section, I will draw some conclusive insights from the interviews conducted according to the previous elaboration of the literature review, to align key remarks with former findings.

- A substantive involvement and wide action-program in CSR activities have produced positive impacts on the A.C. Milan workforce, which has perceived authenticity in the corporation's effort in trying to make a difference in terms of Social Responsibility towards its giant community and eco.
- Despite the corporation's effort in ESG reporting and performance, A.C. Milan could improve its reporting guidelines and practice, referring to the industry best-in-class examples, which have widened their reporting scope throughout their operational and whole value chain.
- As the overall employees' perception was very positive towards the corporate engagement in CSR action program, which was many times defined as authentic and stimulating, employees' engagement, satisfaction and performance seemed to be positively impacted. Hence, the main employees' engagement contributor was the CSR action program, as ESG reporting was still lacking behind mainly due to the absence of Industry's reporting guidelines. This positive internal workforce's impact driven by CSR engagement is aligned to the Literature Review's main remarks, according to which CSR involvement produces a strong workforce organizational attachment.

3.1.2 EssilorLuxottica

Similarly, few interviews within EssilorLuxottica were conducted. One first interview was conducted with the Sustainability Services Manager of the organization, to collect details and practices of EssilorLuxottica CSR policy; while the others were held with the Lens Strategy Specialist and Global Retail Marketing Analyst, that were involved in many sustainable production process projects, being familiar with certain indicators of sustainable development. All interviews were supported by the interview guide and enabled me to enrich and fulfill our expectation from the research's purposes.

Some contextual elements

Sustainable development has been essential in EssilorLuxottica's strategy even before the merger of the two industry pioneers as Leonardo Del Vecchio, Chairman of the organization

and Francesco Milleri, Chief Executive Officer of the company, strongly believed in making EssilorLuxottica *“the industry manufacturing leader that roots its success around sustainable commitment”*. Indeed, Mr. Milleri is convinced that the economic model of the organization is evolving alongside with the emergence of new models where responsible practices and sustainable development are crucial for the growth and progress of companies as they will constitute the way of managing a business tomorrow.⁵¹ This embedded vision positions EssilorLuxottica in a scenario of creating shared value through its entire business model and a sustainable growth, both for the company and for its stakeholders. Indeed, the company is very proactive in relation to its stakeholders and as specified by the respondents, *“its approach to sustainable development heavily relies on the environmental and social impacts of its business activities related to the various stakeholders along the value chain”*. For example, by fostering a long-term commitment and heritage to sustainable development of both Essilor and Luxottica, the Company contributes to the achievement of 13 of the 17 UN Sustainable Development Goals (SDGs) which form the 2030 Agenda⁵². As interviewees explained, *“From managing and reducing water usage at manufacturing sites to the constant improvement of occupational health and safety policies, to ensuring equal opportunities, developing inclusive business models and providing eye exams and eyeglasses to people in need, the Company is consistently supporting its Mission to help people see more, be more and live life to its fullest”*. The company is OneSight’s founding global sponsor, which is an independent nonprofit providing access to quality vision care and glasses in underserved communities worldwide. Specifically, Luxottica provides annual operating support, frames and the engagement of approximately 23,000 doctors and employees in order to create sustainable and charitable access to quality vision care and eyewear through temporary clinics, mobile vision vans, in-store/outreach and school-based programs globally.⁵³ In addition, as declared by the Sustainability Manager, EssilorLuxottica has been trying to not only be engaged in CSR action program, but also to become a sustainable pioneer itself by extending its sustainable eyewear offer from its Arnette, Burberry, Emporio Armani and Giorgio Armani brands. The eco-friendly sunglasses are being launched in worldwide travel retail as part of Luxottica’s ‘To see the beauty of life’ sustainability mission. These new collections have been inspired by Arnette’s climate-friendly innovations and initiatives, which since 2019 has shifted design and production to bio-based or recycled materials. Overall, including sustainable development at

⁵¹ Letter to Stakeholders, 2020, EssilorLuxottica

⁵² EssilorLuxottica Sustainability Report, 2021

⁵³ EssilorLuxottica Sustainability Report, 2021

the heart of the strategy of EssilorLuxottica's brand can be considered as a differentiation driver on the market. Furthermore, *“using performance evaluation systems according to sustainable development criteria allows the company to satisfy consumers and investors' demands and optimize production and distribution costs”*, even if the motivation remains extra-financial.

CSR strategy and practice

As the CSR managed explained, *“CSR has deep roots in Luxottica's history: sustainable responsibilities towards environmental, social and economic matters have been embedded by the Company culture over the years and permeate the entire value chain”*. The company commitment towards sustainability has been rooted around four main pillars: commitment to excellence, visual well-being, social impact and environment's protection. These four pillars have established a long-term CSR strategy which *“aims at fostering economic and social development of all the communities in which it operates, protect the environment in those territories, promote well-being of its employees and increase awareness around quality eyecare”*. Its last Non-Financial Statements have been structured in five main sections according to the above-mentioned pillars and to the Company's mission: Eyes on Carbon, Circularity, World Sight, Inclusion and Ethics. Each pillar has a distinct commitment and is divided into a number of key activities that are readily apparent in the business model, product line, presence, and relationships with the region's communities and territories of the company.

In order to refer back to the classification of CSR matters used within by Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin in their academic paper *“Firms' adoption of CSR initiatives and employees' organizational commitment: Organizational CSR climate and employees' CSR-induced attributions as mediators”* published in 2021 by Journal of Business Research, and align their analysis to our interview questions, I will report here below the different forms of CSR practices put in place by each designed category to provide a better overview of the completeness as well as policies 'forms of EssilorLuxottica CSR strategy. These initiatives and practices have been collected during the conducted interviews and from the corporate public sustainability resources.

◇ **Community relations:**

- “EssilorLuxottica4Ukraine”: donation-program designed to financially support Ukraine and alleviate its imminent needs. Employees can donate working hours on a voluntary basis, which

are then doubled by Group in terms of paid hours. Currently, more than 4 million euros have been collected.

- “OneSight”: the non-profit organization, of which Luxottica is the founding sponsor, builds sustainable long-term solutions in economically disadvantaged areas. It achieved 100% sustainable access (100% of underserved populations are able to reach a vision centre within one day of travel) in Rwanda and Zambia in 2020 through corporate and employees’ commitment (employees volunteering hours, giving and fundraising).
- “SightDay”: engagement in organizing temporary clinics and offer free sight-visits in those underserved areas during the” Worldwide Sight Day” in order to promote and foster the Group’s Mission to “see the beauty of life”. During this yearly event, employees donate their vacation days to take part to these voluntary initiatives to raise awareness of vision care and provide access points.
- “Local programs/partnerships”: launch of ad-hoc initiatives across the world to create sustainable vision access points, such as the China’s Eye Partner program which provides vision care to rural communities; the MetLife Foundation’s partnership in Bangladesh, which creates sustainable livelihoods and improve access to vision care among rural communities, through a pooled funding approach; and ARO GAPOPIN’s partnership in Indonesia, through which many scholarships have been provided to the population to encourage vision care micro-entrepreneurs to upgrade their skills.

All community relations activities are deployed on an action-based form, as they comprehend a very diversified pool of activities which either stem out of the Group Mission and core business, or they are deployed according to specific and current local needs and emergencies.

◇ **Diversity:** EssilorLuxottica wants to establish a community where different identities, ethnicities, and cultures are valued. The Company's workforce is made up of talented people of every race, religion, gender, age, and ability because it operates in more than 150 different nations and languages. Initiatives for diversity and inclusion are implemented locally in accordance with the diversity progress of the nation.

- Business Resource Groups: BRGs are voluntary and employee-led groups, which bring employees together through common interests, backgrounds or demographics to advance specific needs and rights. The five BRGs represent Women, Multicultural, Persons with Disabilities, LGBTQIA+, and Veterans. In 2021, they represented over 500 dedicated employees bringing focus on inclusion and diversity to life.

- Local initiatives: In Latin America, Essilor has set a target of 40% female representation by 2022 in the top 180 leadership roles (vs 32.2% today); In China, Essilor has designed a new initiative called “Women TALK” to improve women's workforce engagement through panel discussions, debates, and role model selection . In Brazilian manufacturing site, the "Olhar Consciente" program was initiated to embrace surrounding communities and engage employees on D&I topics.
- Additional touchpoints: in addition to these local programs, EssilorLuxottica has been building a more diverse culture through other initiatives such as conferences, events and the launch of the Leonardo learning & development platform to raise awareness and train on these topics,
- Reporting Practice: specific KPIs are reported and tracked yearly over these matters, for instance the number of women within different seniority level breakdown by geo and age, or the number of employees with disabilities, or total training hours delivered.

EssilorLuxottica’s D&I practice is deployed both on an action-based form, including activities aimed at sensitizing worldwide communities on these matters, as well on a reporting base, whose tracking and monitoring incentivize the company to assess critical areas of improvement and define roadmaps to reach specific annual targets.

◇ **Employee relations:**

- Share-ownership initiative: launched in 2019, the program enables eligible employees in 85 countries to purchase shares of the company on favourable terms. This resulted in 67,000 of EssilorLuxottica employees holding a financial stake in the Company.

Employees shareholding practice is deployed on an action-based program, supported also by specific employees’ shareholding guidelines.

◇ **Environment:**

- “Roobost Energy Program”: as the Group committed to reach carbon neutrality for its direct operations by 2025, a dedicated energy management strategy was developed. This latter focuses on reviewing the energy efficiency of manufacturing processes, calibrating usage of equipment for efficient consumption, improving the equipment efficiency ratio (EER), defining roadmap to sustainable energy targets and increasing use of renewable energy (solar panel systems, biomass heating system, certified green energy). This intense agenda has been sustained by the achievement of several LEED certifications among its manufacturing sites, laboratories and distribution centres.

- “Roobost Water Program”: seeks to develop and implement a stringent water roadmap across all of its operational sites with related water efficiency targets, in addition to a water supply management system and cooperative interaction with local people. Specifically, water reduction actions include water mapping for main mass production sites, installations of water consumption devices to measure and evaluate water use, closed-circuit water system, and continuous compliance with WWF Water Risk Filter framework reduction targets, as well as set-up of a wastewater tower control.
- “Waste Management Program”: aims at improving the waste management corporate system through common corporate standards and ad-hoc local initiatives. With the promotion of the "4Rs," it specifically includes policies aimed at reducing the loss of raw materials, recovering leftover parts during production activities, and elaborate packaging and waste generation analysis of manufacturing plants, distribution centers, and laboratories to determine the type of waste generated and their associated improvement areas (quality management, continuous improvement, eco-design, etc.). The 4Rs program works to reuse, recycle, and reduce the amount of raw materials and packaging required in various activities (production, distribution).

Environment policies have been deployed mostly on an action-based program, alongside with the support of specific reporting guidelines and KPIs. Indeed, each above mentioned program and related annual revision has been reviewed on the basis of corporate footprint progress resulted from each program’s reporting practice.

- ◇ **Climate Change:** As it develops and implements its climate change strategy, the Group adheres to the Task Force's Guidelines on Climate-related Financial Disclosures (TCFD) to guarantee thorough and transparent disclosure on climate-related risks and opportunities.⁵⁴
- “Governance, Strategy and Risk Management”: through the company’s CSR Committee, a cross-functional task force has been put in place at both companies to ease collaborative projects, support key decision makings and ensure the advance of Essilor climate change program. This Governance has formulated the Group’s climate change strategy on the basis of the risk management and assessment process, which identifies and manages both physical (temperature, humidity, droughts, flood, storm, water) and transition (regulation changes, technology limits, market shift or reputational risks) climate risks. On these identified hazards, climate risk models on the medium/long terms have been built to assess the corporate risk

⁵⁴ EssilorLuxottica Sustainability Report, 2021

exposure of significant operations sites and develop preventive investment plan and mitigation measures.

- “Supplier Sustainability Program” (SSP): its guidelines are stated in the Company’s Code of Ethics and respect of international regulation, as International Labor Organization (ILO) Conventions, UNGCP and specific selected criteria such as SA8000 certification. Since 2016, a dedicated SSP has been in place to manage its relationships and make sure that suppliers uphold the Code of Ethics and the law, as well as each supplier's CSS performance. Moreover, it encourage suppliers to start projects that will benefit people and the environment, and educate buyers and suppliers about sustainable business practices..

Climate Change approach is merely driven by a reporting practice as the first step of its definition and deployment involve risk/performance assessment and management through the monitoring of each risk section KPIs. Assessments are also supported by third-parties audit suppliers' compliance to ensure the most transparent and coherent strategy definition.

◇ **Human rights:**

- “The Vigilance Plan”: strives to guarantee that all company actions are in accordance with the ILO's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.⁵⁵ The Group monitors the development of operational commitment to ensure that along the whole value chain, international standards and local employment regulations are always upheld and that no instances of unreported work, child labor, forced labor, or any other unsuitable working circumstances occur. Healthy and safe conditions and procedures are also tracked and measured.

EssilorLuxottica’s commitment to human rights is supported by the Board of Directors and its CSR committees. This program follows a specific risk mapping and risk reporting prevention form, supported by mitigation measures and action-based initiatives that are implemented in accordance to the monitoring system’s results.

◇ **Product, quality & safety:**

- “Testing”: The Group conducts both internal lab tests and third-party accredited test processes to make sure that chemical substances, medical devices, and consumer products comply with international requirements. EssilorLuxottica acquired the internal expertise necessary to

⁵⁵ EssilorLuxottica Sustainability Report, 2021

manage the regulatory frameworks for wearable devices last year, and these tests now go beyond just meeting safety and quality standards. They also involve the development of shared guidelines for the qualification of these new products using new internal test tools and processes.⁵⁶

- “Quality system”: aim at meeting regulations across the product life cycle. The Company is moving toward an adapted quality system for the prescription lenses environment, for which it obtained 23 ISO 13485 certifications for its key lens factories. These quality checks are accompanied by structured and frequent feedbacks from wholesalers and end-consumers to continuously improve their satisfaction.
- “GLOW (Guaranteed Luxottica Origin Worldwide)”: The Company works with local institutions and authorities to attack their entire unlawful production chain to reduce consumer exposure to counterfeit products. To stop them, the Group created GLOW, an RFID-based traceability system that can ascertain both the legitimacy of resellers and the validity of items.

The corporate product quality and safety policy is deployed on an action-based program, leveraging also on third-parties’ certificates and accreditation.

Forms and management process of CSR

The management of the corporate sustainable development is entrusted to EssilorLuxottica Corporate Social Responsibility (CSR) Committee, which consists of three members, two of which are independent Directors. As explained by the CSR manager, *“the main duty of the CSR Committee is to ensure that the Company effectively addresses the deployment of the Company’s Mission, which is fully integrated in the strategy and its duties go beyond philanthropy, inclusive business and legal compliance”*. The Committee is responsible for the identification and assessment of CSR risks and opportunities within the entire group. From the identification of the risk factors having a CSR dimension, the Committee develops an extensive review of internal and external information sources (such as Essilor and Luxottica materiality matrices, regulatory frameworks, rating agencies, institutional investor requests, customer expectations and sectoral risk reports) which leads to their breakdown of several CSR sub-risk factors. These factors are then defined and assessed according to impact, likelihood and mitigating measures using internal surveys, interviews and expert reviews. The cross-analysis of these sources allows the Company to identify the most relevant CSR risk factors for the business, which have been divided into six categories: climate change, sustainable offering, talent management, supplier sustainability, business ethics and human rights. The Company

⁵⁶ EssilorLuxottica Sustainability Report, 2021

uses Non-Financial Reporting as a tool to monitor and analyze its status and progress on sustainability priorities, risk management, and its associated impacts after developing its CSR strategy based on this research. Additionally, this reporting enables the company to give stakeholders a thorough and consistent picture of its environmental and social effect. As a French-listed company, EssilorLuxottica is taking European Directive 2014/95 as reference on its Non-Financial Statement. The Group is clustering its consolidated non-financial reporting on five main sections: “Eyes on Carbon, Eyes on Circularity, Eyes on World Sight, Eyes on Inclusion and Eyes on Ethics, *even if both Essilor and Luxottica collect other group-individual indicators to monitor company-specific sustainability initiatives*”, as declared by the interviewee. The Group released its first EssilorLuxottica Sustainability Reporting Protocol in 2019, which included thorough instructions and a glossary to assure consistency in data, indicator definitions, and reporting rules. The Protocol adheres to the Global Reporting Initiative (GRI) Standards and takes into account the global agenda of the Sustainable Development Goals of the United Nations (SDGs). When it comes to indicators of greenhouse gas (GHG) emissions, the company complies with the GHG Protocol. However, when it comes to certain CSR topics (like health and safety indicators), the company uses company-specific KPIs to analyze and monitor the information reported while also taking into account the GLEC framework, TCFD recommendations, criteria for key accounts, rating agencies and indices, and institutional investor. Finally, data reporting principles are shared within the Sustainability Report, clarifying the reporting scope, period, and specific methodology for calculating all KPIs.

Employees’ engagement

When investigating whether the Group’s CSR strategy was able to motivate its employees, the interviewees confirmed the business’s ability “*in not only stimulating their organizational attachment through its wide CSR practice but also in engaging with the whole company’s workforce on a significant level.*” When inquired about the main drivers behind this overall significant CSR employee engagement, the most recurring reason referred to the “*perceived authenticity in the corporation’s effort in trying to help and sustain its communities and people and in alleviating its footprint throughout ad-hoc value chain advanced programs*”. Indeed, being the market leader in the eyewear sector since decades, has posed lots of responsibilities on the Group’s shoulders in playing an active role within the industry CSR milestones. This sustainable vision responsibility was welcomed by the Company since the very beginning, and

as the interviewees explained, it was this very early-on CSR exposure that contributed in building authentic employees' engagement towards the Company sustainable mission. In addition to this premature vision, employees considered *“the CSR program to be engaging also because of its extensive scope and coverage, that throughout years has extended to the whole value chain a sustainable approach, from sourcing to distribution.”* As mentioned by one of the employees, the acquisition of GrandVision in 2021 was a major milestone for the Group sustainable integrated strategy, and once again, represented another evidence of its effort in always advancing its sustainable position within the whole industry. In addition to its wide scope, the interviewees revealed that they much appreciated the internal communication and alignment over achieved targets and CSR progress with its employees. Moreover, this alignment has been recently enriched by the Leonardo learning & development platform, which offer employees a personalized learning journey on the Group CSR strategy *“The possibility of being up to date with corporate achievements, certifications, innovations and CSR roadmaps is not trivial at all for a Group of this size and ambitions.. It fuels interest and motivation in us employees, as there is a continuous flow of information and updates as well as recognition of efforts and progress that stimulate our organizational attachment”*. In addition, the interviewees added that the Group relevant ESG reporting positioning has represented a competitive advantage in retaining and attracting talent: *“A true asset for all of us when exposed to market demands and offers, as well as when attracting new and young talent”*.

Hence, when asked about the most valuable and motivating elements of their organizational CSR policy, the interviews agreed on specifying that the Group *“is making progress towards social and environmental betterment above and beyond its economic and legal obligations and purpose”*. As shared by the interviewees, EssilorLuxottica does not stop at the mere public disclosure of its sustainability report but invests annually in achieving diversified certifications and in reviewing its programs according to annual achieved targets and current local circumstances that may not be directly related to their core business. For instance, when asked about the most engaging CSR initiatives, the employees declared to be motivated by “Eyes on World Sight” program and by the participation to communitarian programs such as “EssilorLuxottica4Ukraine”, Hence, the reflection of hard work in green and sustainable achievements as well as the possibility to be involved in programs of social and economic causes were said to be one of the most valuable and motivating element.

Key take-aways

In order to answer to my research question, I will try to align some conclusive insights from the extensive case analysis performed above with the previous presented literature review.

- Employees have perceived EssilorLuxottica's CSR practice to be substantive because of its early and authentic engagement, its extensive and wide scope that goes beyond legal and content obligations and its transparency. The articulated and closely monitored action program in CSR activities as well as the relevant ESG reporting practice have led to different positive workforce implications that have generated overall satisfaction and organizational attachment.
- On one hand, its comprehensive and substantial non-financial reporting practice has become one of the best-in-class practices of the industry. Indeed, by representing one of the major corporate competitive advantage in terms of talent management, the Group's ESG reporting performance has driven a positive workforce sentiment in terms of satisfaction and attractiveness.
- On the other hand, EssilorLuxottica CSR action-program stimulated employees' engagement and organizational attachment as employees considered their organization to act pro-social beyond legal and economic obligations for all its stakeholders. This perception resulted in an authentic organizational attachment and commitment.
- All in all, the insights deriving from the interviews conducted within the organization led to a clear and sharp distinction of the different implications both the CSR action-program and ESG reporting practice can lead to. The overall remarks seem to be aligned to the literature review.

3.1.3 ENI

Lastly, few other interviews were conducted within ENI. One first interview was conducted with the Sustainability Reporting Manager of the organization, to gather specific information of ENI CSR practices; while the others were held with the Human Resources Specialist and Public Affairs Specialist who contributed in enriching my comprehension of the Company's CSR policy from an employee's point of view. Once again, all interviews were supported by the interview guide developed with Mr. Saulpic and enabled me to solidify my thesis and satisfy my predictive expectations.

Some contextual elements

ENI is an Italian oil and gas company listed on the Italian Stock Exchange. The company is active on every step of the energy production value chain, from natural gas and oil sourcing to co-generated electricity and renewables. By engaging in oil and natural gas exploration, field development and production, as well as supply, trading and shipping of fuel and energy, ENI has been integrating sustainability in all of its operations for generations. Indeed, ENI has been publishing its sustainability report since 2006, even if it was reporting on environmental, sustainable and health matters since 1996 because it acknowledged early-on that *“only a sustainable sourcing and green production of its products would have determined a healthy acceleration and solid success”*, as remarked by the Sustainability Reporting Manager. Indeed, being one of the market leaders of the energy industry, ENI sources natural gas and oil mostly from underserved countries also through traditional processes and is aware that a resilient and flourishing planet as well as social betterment of the communities where it operates are crucial for sustaining its growth and the commodities they depend on, which are not illimited. Hence, *“the Group has always been deeply engaged in researching and applying sophisticated sourcing and production processes within its operations and has deployed pro-social action programs and reporting practice since the very beginning to play an active role in these terms”*. By fostering a long-term commitment to sustainable development according to its values, the Company contributes to the achievement of 17 of the 17 UN Sustainable Development Goals (SDGs), and is now engaged to an energy transition that commits to achieve zero emission by 2050.

CSR strategy and practice

ENI, an Italian oil and gas business, is committed to ensuring that everyone has access to reliable, cost-effective energy by attaining net zero emissions by 2050. As explained during the interviews, through the sharing of social and economic advantages across its workforce, supply chain, and communities, this strategy aims to accomplish the SDGs. Indeed, ENI has defined a medium-long term plan to take full advantages of the opportunities offered by the energy transition in place to minimize its operations carbon footprint by responding concretely to climate change challenges and imminent needs. In addition to the consolidated document of Non-Financial Information (disclosed in accordance to the Legislative Decree No.254/2016) published within the Annual Report to provide an integrated view of financial and non-financial information, ENI releases a voluntary sustainability report to further investigate non-financial issues and provide specific cases and examples in support of its sustainable journey. This latter

document is structured in three layers which are carbon neutrality by 2050, operational excellence and alliances for development. The first section outlines the country's decarbonization strategy for achieving carbon neutrality by 2050 as well as the precise measures and tools used to establish this goal incrementally. Second, the paper examines its continued dedication to valuing and ensuring public health and safety, preserving the environment, and upholding human rights. While the last one, refers to the community relation program in favor of the promotion of the development within the Countries where it operates, through Local Development Programmes (LDPs) with a broad portfolio of initiatives in favour of communities.

Similarly to EssilorLuxottica exercise, I will refer back to the classification of Yi-Ting Lin, Nien-Chi Liu and Ji-Wei Lin's CSR matters while describing and classifying below the different forms of CSR practices deployed by the Group to provide a better overview of the completeness as well as policies 'forms of ENI's CSR strategy. The described practices and initiatives have been collected during the conducted interviews.

◇ **Community relations:**

- “ENI for Ukraine”: fundraising initiative in collaboration with the Italian Red Cross, to provide concrete care and help to Ukrainian families. This program allows ENI worldwide workforce to donate one hour or more of work, which will then be doubled by the Group in support of the emergency.
- “COVID-19 action plan”: ENI has worked in collaboration with international and local NGOs on a set of core areas of intervention such as healthcare, social protection, water and sanitation and prevention and education. For instance, ENI has supported the provision of medical equipment and the restructuring of healthcare facilities, food production and availability, supply and distribution of clean water, awareness campaigns, and medical staff training in all underserved countries where it operates.
- “Access to energy”: Eni helps to address this issue by building gas infrastructure, launching programs to increase access to contemporary cooking equipment, and working on off-grid and renewable energy projects.
- “Local Development Programme”: Each Program is organized into five action lines: 1) stakeholder involvement; 2) human rights; 3) local content; 4) land management; and 5) local development initiatives. Each Program is established in accordance with the local specificities of the locations in which the Company operates. Specifically, the former action line tracks and

examines all stakeholders 'requests in order to tackle and develop initiatives in collaboration with communities that foster sustainable development. The second, ensures industrialized business activities do not affect negatively communities by leveraging on a risk-model to classify projects. The third line supports dialogue with local authorities to guide investment decisions to promote local development. The fourth ensures minimization of the socio-economic impacts of reallocated people in case of acquisition and/or use of land for project development by limiting loss or access to assets. Lastly, the last action line develops into 6 intervention areas which are access to off-grid energy (*e.g., Mozambique, clean cooking*), life on land (*e.g., Indonesia, reforestation and preservation*), economic diversification (*e.g., Angola, southwest integrated project*), access to water and sanitation (*e.g., Iraq, water management*), education and community health (*e.g., Egypt, ATS project*).

Community relations initiatives take all action-based form but are all supported by an intense and exhaustive pre-detailed analysis which assess risk of any kind of listed above impact, maps relationship with stakeholders, monitor progress of each projects and results achieved to then quantify benefits. This latter process of methodology is mostly managed through monitoring and analysis of KPIs and each specific reporting practice. Hence, community relations program take an integrated form that combined both an action-based policy with reporting and targets practices.

- ◇ **Diversity:** a D&I unit was set in 2021 to develop the company's strategy in accordance to the company's objectives.
- **“Women empowerment”:** The participation in the work of the intercompany STEM Committee with the aim of proposing an action plan to complement implementation of the Manifesto for Women's Employment, which Eni's CEO signed in 2016, as well as tailored initiatives like "Women in technical roles," an initiative that targets women in technical roles, are just a few of the ways that ENI supports efforts to attract and retain female talents worldwide.
- **“Parenting policy”:** global parenting policy across its communities to safeguard adequate remuneration of fathers' leaves and maternity in accordance to ILO Convention; right to minimum number of smart working days for parents of children up to 3 years of life
- **Additional touchpoints:** in addition to these programs, ENI has raised awareness about the importance of sexual orientation inclusion through conferences and training modules, it has also provided 24/7 medical and psychological support to all those employees and has supported the fundraising against women discrimination and violence.

ENI's D&I practice is deployed merely on an action-based form. The only reporting practice put in place refers to the female and internal workforce incidence on workforce per year, gender pay ratio and main training courses offered.

◇ **Environment:**

- **“Carbon neutrality”:** ENI is committed to reach carbon neutrality by 2050, while keeping global warming within the 1.5°C threshold at the end of the century. This objective is to be achieved through a plan that leverages on breakthrough technologies, and new business models that collaborate closely with primary and secondary stakeholders. Indeed, it will synergize the optimization of the upstream portfolio value of the Natural Sources division with the expansion of renewable and circular business economy of the Energy Evolution stream. In particular, appropriate investments for the growth of renewable generation capacity, for the development of biofuels and green chemistry, for the scaling up of new energy solutions and carbon capture and storage (CCS) services, and for the decarbonization of legacy assets will support the evolution towards a decarbonized product portfolio.⁵⁷
- **“Water Efficiency”:** aims at reducing fresh water withdraws and replacing it with water from secondary resources (such as groundwater or treated wastewater). Initiatives geared toward both the re-injection of produced water and its treatment and reuse for industrial uses assist this main goal. Additionally, ENI is dedicated to monitoring water-risk in areas with a shortage of water in order to put water-saving and circular initiatives into place.
- **“Oil spill Management Program”:** aims at minimizing oil spills through ad-hoc local interventions that varies from feasibility assessments of transfer lines from ports to downstream storage sites and piloting of various technology to avoid/contain oil spills, to the development of methodology assessment of natural risks with associated prioritization of defence measure for high-risky areas.

Environment policies have been developed from an accurate reporting base to then be deployed on an action-based program. From results achieved from reporting, ENI has established its milestone-detailed plan to reach carbon neutrality and this has allowed to streamline actions in accordance to annual targets.

◇ **Climate Change:**

⁵⁷ ENI for 2021, a just transition

- “Governance, Strategy and Risk Management”: The Sustainability and Scenarios Committee (SSC), which looks at how strategy and potential futures are integrated, supports the CEO's suggestion for the BOD to review the strategic plan, which includes targets and objectives relating to climate change. Climate change risks are analysed and assessed by considering TCFD recommendations, which refer both to the risks related to energy transition and to physical risks.
- “Circular economy”: Every stage of the energy value chain has incorporated circular principles: upstream, through the reuse of offshore platforms; in procurement, through "Ope-es," a digital platform focusing on industrial supply chains circularity; downstream, through the production of biofuels; in its businesses, like Versalis, with its circular products and the Hoop project; and as EniRewind in soil recovery, reclamation, and Waste to Fuel.⁵⁸. Other kind of initiatives, as support of sustainable enterprises and the organization of a circular bootcamp, enhanced even more its mission to become even more circular.
- “Biodiversity”: ENI evaluates the risks associated with each project's complexity, the importance of the natural environment, and the local socioeconomic context in order to prioritize preventative actions and track results with the goal of preventing a net loss of biodiversity. For example, ENI works with communities and indigenous peoples to understand their expectations and concerns and to decide how ecosystem services and biodiversity are used. Since 2019, ENI commits to not conduct exploration and development activities within the boundaries of Natural Sites in the UNESCO World Heritage List.

Climate Change approach has been formulated integrating and combining different kind of forms, from objective and reporting practice to an action-based program.

◇ **Employees Relation :**

- “Remuneration linked to sustainable targets”: In order to further enhance and ensure road to carbon neutrality, energy transition is reflected in the Variable Incentive Plans for the CEO and company management. Specifically, both the CEO and the Long-term Plan’s Top Management remunerations are linked to a certain weight to specific environmental and energy transition objectives. Within the short term, remunerations are linked to very specific targets (such as reduction of Scope 2 indirect emissions also by third parties and a target on personnel safety). The overall weight of the annual sustainability objectives is 37.5% for the CEO, while it takes into account individual objectives for the corporate management.

⁵⁸ ENI for 2021, a just transition

Employees relation practice is mostly elaborated on a target based policy, which entails executive and top management's remuneration to be linked to achieved targets and performance.

◇ **Human rights:**

- “Risk-model assessment”: evaluation model established for monitoring human-rights compliance within communities and countries where ENI operates. In order to identify risk regions and create action line plans appropriately, it segments ENI enterprises based on quantitative and qualitative factors that describe country-specific human hazards breach.
- “Training”: mandatory human rights modules have been assigned to senior and middle managers worldwide on four areas of interest: “(i) in the workplace; (ii) in the communities hosting Eni's activities; (iii) in security operations; (iv) in business relationships”.
- “Remedial Measures”: Employees have two options for reporting potential violations: the grievance mechanism, which is a route for community complaints, and the whistleblowing system, a procedure for handling reports, even anonymous ones, that can be used by employees or third parties.

ENI's commitment to human rights is not limited to a specific risk mapping and prevention practice but it encompasses also action-based initiatives.

◇ **Product, quality & safety:**

- “Process Safety Management System”: seek to reduce the hazards connected with uncontrolled discharges of hazardous substances that could result in significant incidents by using technological standards. This guarantees proper asset management across their whole lives, from design to maintenance.
- “Training sessions”: to inform organizational roles about the hazards associated with radiation protection; to provide management with teamwork and resource management training; to keep them informed about operating guidelines for the proper use of equipment and technologies; to promote a process safety and asset integrity culture

The corporate quality and safety policy overlaps with other sections 'practices, where risk mapping and mitigation measures are accurately taken (for instance in the case of climate change and environment policies deployment). However, it seems that this practice is mostly taken on an action-based program with specific tools and initiatives in support of the overall corporate safety.

Forms and management process of CSR

The management of the corporate sustainable development is entrusted to many parties of ENI's corporate management. Specifically, as outlined by the interviewee *“after the CEO's proposals, the BoD has a central role in defining and developing sustainability policies and strategies, detailing annual, four-year and long-term objectives and in monitoring results”*. The Sustainability and Scenarios Committee (SSC), which offers guidance on scenarios and sustainability, has assisted the BoD since 2014. Additionally, the Control and Risk Committee works with the Board of Directors to determine whether periodic non-financial information is appropriate for accurately portraying the company's business model and strategies, the effects of its operations, and the performance levels attained, as well as to review the information's content in relation to the internal control and risk management system.⁵⁹As an Italian-listed company, ENI is taking European Directive 254/2016 as reference on its Non-Financial Statement. The Group is clustering its consolidated non-financial reporting on five main sections: carbon neutrality by 2050, operational excellence and alliances for development. The former encompasses climate change's matters, the second one people, health and safety, respect for the environment, human rights, suppliers, transparency, anti-corruption and tax strategy issues, while the latter focuses on local communities. The consolidate document follows the Global Reporting Initiative (GRI) Standards, taking into account the 10 principles of Global Compact and has been subject to a limited assurance engagement by PwC. Additionally, ENI's carbon neutrality plan complies with the TCFD recommendations, and metrics related to the Sustainability Accounting Standards Board (SASB) standard as well as the "core" metrics established by the World Economic Forum (WEF) have been made public as part of the organization's commitment to promoting comparable and transparent disclosure.

Employees' engagement

The interviewees revealed that the Group's CSR strategy *“has been a real contributor to their organizational motivation and attachment for years”*. Indeed, by belonging to the oil and gas industry, ENI has always been represented as a major polluting company and had to face several obstacles and prejudices against its initial CSR efforts. Indeed, the interviewees explained that the company faced *“initial hostility by consumers, communities and investors*

⁵⁹ ENI for 2021, a just transition

when it started to show and disclose environmental and social advancements". This hostility was merely linked to the industry specificities, which in secondary stakeholders 'eyes were not aligned to CSR missions and ambitions. However, employees explained that ENI was able to change their mind by insisting and continuing to be focused on its sustainable development, which progressively brought real change to most of stakeholders' environments. Hence, the primary reason behind their employee engagement was justified by *"the resilience of the company in being patient and trustful in its future achievements and sustainable mission, which made us all more productive in willing to contribute to that real change and produced more positive attitude towards work"*. Oil and energy final products are difficult to be sustainable by definition and require research and development to be classified and considered favorable to the planet. ENI was able to transition to this phase through research and development of renewable energy, alternative process's production methods and outside-core business off-set activities. In addition to this resilient development, employees considered *"the CSR program to be perfectly aligned to its business major impact and activities, by trying to tackle each operational and adverse footprint through appropriate means."* This alignment among its core business and mission with its sustainable CSR program has brought employees and its workforce to be engaged in the organizational identify and meaning. When inquired about the most engaging and motivating specific CSR practice/policy put in place by ENI, both of them mentioned the objective to reach carbon neutrality by 2050. Specifically, as they explained, the corporate industrial plan is based on this specific target and develops around this giant objective. This is evidence of ENI's real effort in becoming the best-in-class industry role model to refer to when discussing about sustainable business models in the energy and oil industry. Furthermore, they revealed that *"this specific action plan as well as its remarkable ESG reporting policy and progress have been many times protagonist of recruiting processes' discussions with young adults, as much interested in the overall final reduction of GHG emissions within an energy exploration and production company"*. Indeed, the H&R specialist revealed that young engineers and professionals showed to be much involved and informed about ENI ESG reporting practice, being also interested in contributing to this transitional phase. Hence, ENI sustainable development seems to be *"a retention advantage for its current workforce as well as attractiveness power for young generation."* Hence, when asked about the most valuable and motivating elements of their organizational CSR policy, the interviewees explained that *"is making progress not only in relation to the major environmental footprint realized by its core business but also towards the social and environmental betterment of the communities and areas in which it operates"*. As shared by the interviewees, ENI does not stop

at an action-based program developed on its oil and gas exploration and production footprint but encompasses also the advancement of shared mobility, support of scientific research and open innovation and continuous development of digital innovation.

Key take-aways

For research purposes, I will now align the above interviews' insights with the previous literature review conclusive remarks:

- ENI has been successfully capable of aligning its CSR action-based program with its company culture, by progressively tackling its adverse footprint with adequate contrastive measures. This combined with its ability to expand its CSR practice above and beyond its mere responsibilities and economic obligations have generated in employees' perception a solid organizational commitment and attachment.
- Similarly, its remarkable ESG performance has contributed in creating a positive workforce sentiment, by building a strong attractiveness and retention power for talent and by spreading organizational satisfaction.
- ENI detains a very wide portfolio of CSR activities and programs for the environmental and social betterment. Similarly, ENI holds a remarkable, exhaustive and transparent ESG reporting practice. Hence, it was very interesting and clear to assess that the two CSR forms have led to different workforce sentiment implications, which are coherent and aligned to the literature review.

3.2 Analysis of findings

From the analysis and interviewees performed, it is possible to draw some conclusive insights on the researched subject. By comparing the cases analyzed when investigating to what extent the impact of a CSR practice on employee engagement depends on its forms taken, many commonalities and recurrent observations and insights can be drawn. In order to have a comprehensive and structured view of the insights deriving from the interviews, I will develop distinctive sections of interest in accordance to the interview guide:

- **Insofar, does the CSR policy motivates you? Why?**

- **A.C. Milan:** the CSR strategy developed motivates employees' organizational engagement because it efficiently involves all kinds of stakeholders, varying from shareholders and commercial partners, to fans and communities;
 - **EssilorLuxottica:** the CSR policy put in place stimulates employees' organizational attachment because the corporate efforts in sustaining its communities and people and in alleviating its footprint have been perceived to be authentic and because of its extensive scope and coverage;
 - **ENI:** the CSR strategy contributes to employees' organizational motivation and attachment because it has been capable of bringing real sustainable change and development to stakeholders and because it has maximized productivity by being aligned to the core business footprint;
- **What specific elements of this policy/ which specific tools that you described are the most valuable or motivating for you? Why?**
 - **A.C. Milan:** the alignment of the organizational mission with the initiatives and CSR practices implemented by the Club as well as the possibility to shape the CSR strategy by proposing initiatives and projects to undertake resulted to be the most valuable and stimulating elements of the program; More specifically, Social and Humanitarian initiatives were mentioned as most motivating (*e.g., fundraising to counteract COVID and in support o Ukraine*)
 - **EssilorLuxottica:** the progress towards social and environmental betterment above and beyond its economic and legal obligations has been the most motivating element for the employees as the company commits to a transparent sustainability reporting, to achieve certifications, and review its CSR programs according to current and local circumstance; The community-relations programs have contributed the most in employees organizational engagement (*e.g., "Eyes on World Sight" and "EssilorLuxottica4Ukraine"*)
 - **ENI:** the objective to reach carbon neutrality by 2050 represents the most motivating policy for employees, as would drive the company to be the best-in-class industry role model and would make employees feel as contributors to the major transition of the energy industry;
- **Has your company ESG reporting practice impacted the workforce sentiment? Why?**
 - **A.C. Milan:** due to the lack of industry reporting standards, the not-exhaustive ESG reporting practice does not yield any kind of significant implication on the workforce sentiment yet;
 - **EssilorLuxottica:** the company ESG reporting remarkable position has contributed in rising employees' satisfaction and had positive implications in terms of talent attractiveness.

- **ENI:** the corporate ESG performance and its progress represent a competitive asset for the company in terms of talent attractiveness and retention;

3.3 Limitation of the study

Due to the limited number of interviews, our study does not allow us to validate or reject the proposed hypotheses set beforehand, nor consider and elaborate the achieved results from a quantitative point of view. Indeed, this research should be extended in terms of scope, number of interviewees and type of organizations involved to avoid and intercept any kind of biases. Indeed, as listed in the reached findings above, it seems that the two multinationals have more similar results in terms of workforce behavioral sentiment in relations to the CSR forms, and this could be the case because of greater financial possibilities in CSR investments and because of precise legal obligations to comply to. However, this remains an assumption that could be confirmed or rejected only if validated with a much greater pool of companies within the research portfolio. Furthermore, the specific research subject as well as the interview guide's tone of discussion could have led the interviewees to be biased in their answers and/or made it difficult to access people real thoughts and perceptions as the subjects of discussion are a delicate and real matter for multinationals. Hence, the specific methodology used to conduct this research shall maybe be supported by another research tool, as anonymous surveys, which however would restrain significantly the field of discussion and deriving insights.

Conclusion

Finally, we can conclude that this dissertation could be part of an exploratory approach in defining whether and which different workforce sentiment implications a CSR voluntary action-based program and an ESG mandatory reporting practice yield to. Considering the limited number of interviewees carried out, we have highlighted significant and interesting observations and insights that could be potentially used in future and further in depth-analyses. However, if starting from the literature review to then consider the hypotheses set and the interviews carried out, we can derive that we can draw a common thread. On one hand, we have noticed that a voluntary CSR action-based program contributes in enhancing organizational engagement and attachment by leveraging on the policy meaning and linking it to employees' organizational identity and productivity, as outlined by Yi-Ting Lin, Nien-Chi

Liu and Ji-Wei Lin in their academic paper “ Firms’ adoption of CSR initiatives and employees’ organizational commitment: Organizational CSR climate and employees’ CSR-induced attributions as mediators” and by Eun Mi Lee , Seong-Yeon Park , Hyun Jung Lee in “Employee perception of CSR activities: Its antecedents and consequences”. On the other, a remarkable mandatory ESG reporting performance induces employees’ satisfaction and represents a competitive advantage for talent attractiveness and retention, as the study of Marsh & McLennan “ESG as a workforce strategy” proposed. This clear distinction is more intuitive and observable in the case of EssilorLuxottica and ENI, for which employees distinguished different implication on the workforce sentiment accordingly. If pro-social and humanitarian initiatives were the most valuable elements contributing to employees ‘organizational commitment and attachment by giving meaning and identity to the corporation beyond their economic identity (e.g., fundraising in support of COVID-19 and Ukraine), ESG reporting practice were valued in terms of personal satisfaction and as assets for recruiting and retaining talent.

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